



Mangaung Metropolitan Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2016

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
Executive Mayor	TM Manyoni
Deputy Executive Mayor	CLM Rampai (Late)
Speaker	MA Siyonzana
Chief Whip	ZE Mangcotywa
Mayoral Committee members	DM Sekakanyo KN Rabela LA Masoetsa MA Moeng MJ Matsoelane MM Tsomela NG Mokotjo SA Monnakgori XD Pongolo
Grading of local authority	Metropolitan
Acting Accounting officer	Adv TB Mea
Chief Finance Officer (CFO)	ME Mohlahlo
Registered office and business address	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaf Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Development Bank of South Africa First National Bank Nedbank Limited Standard Bank of South Africa
Auditors	Auditor-General of South Africa
Enabling legislation	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 6 of 2004) Division of Revenue Act, (Act 1 of 2015) Municipal Demarcation Act, (Act 27 of 1998)

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Abbreviations

1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
VAR	Variance
VAT	Value Added Tax

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Acting Accounting Officer's Responsibilities and Approval

The acting 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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the acting accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity 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 consolidated annual financial statements and were given unrestricted access to all financial records and related data.

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

The acting accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the acting accounting officer to meet these responsibilities, the acting 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The acting accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The acting accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 44 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

The acting accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding the assumptions have been included in note 62.

Although the acting accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion of the fair presentations of the annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 6 to 125, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 30 September 2016:

Adv TB Mea
Acting Accounting Officer

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Acting Accounting Officer's Report

The acting accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

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

Net deficit of the entity was R 251,771,806 (2015: surplus R 152,520,788).

2. Going concern

I draw attention to the fact that at 30 June 2016, the entity had accumulated surplus of R 11,455,329,800 and that the entity's total assets exceed its liabilities by R 13,494,772,247.

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

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2016).

3. Subsequent events

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality will extend to include Naledi Local Municipality and the town of Soutpan from Masilonyana Local Municipality. These changes are effective as of 3 August 2016.

On 8 July 2016 the Council resolved that 11 170 indigents be included in the indigent register. These indigents had outstanding balances amounting to R50,748,313 at the date of inclusion. Council approved the write off of these balances.

At the same meeting, Council approved the write off 4 673 accounts owed by disabled / pensioned indigents, with outstanding balances amounting to R23,714,052; and 77 housing rental accounts with outstanding balances amounting to R14,545.

4. Acting Accounting Officer's interest in contracts

None

5. Accounting policies

The consolidated annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 17 to 49, and unless indicated in note 2 are consistent with the prior year.

6. Accounting officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality	Changes
SM Mazibuko	South African	Resigned 29 February 2016
Adv TB Mea	South African	Appointed to Acting Position - 15 December 2015

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Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	5	438,906,236	321,275,212
Consumer receivables from non-exchange transactions	6	4,454,092	810,045
Other receivables from exchange transactions	7	96,266,927	88,135,211
Consumer receivables from non-exchange transactions	8	262,419,381	303,378,328
Consumer receivables from exchange transactions	9	804,890,677	632,952,917
VAT receivable	10	57,223,114	153,575,810
Investments	11	107,818,543	362,715,433
Cash and cash equivalents	12	325,679,377	312,911,132
Non-current receivables	17	295,545	295,545
		2,097,953,892	2,176,049,633
Non-Current Assets			
Investment property	13	1,497,507,000	1,636,496,363
Property, plant and equipment	14	14,149,789,089	13,205,403,135
Intangible assets	15	108,354,623	115,838,065
Heritage assets	16	321,568,687	321,568,687
Non-current receivables	17	2,732,863	4,691,251
Deferred tax	18	143,891,447	68,197,502
		16,223,843,709	15,352,195,003
Total Assets		18,321,797,601	17,528,244,636
Liabilities			
Current Liabilities			
Payables from exchange transactions	19	1,318,706,007	837,591,352
Payables from non-exchange transactions	20	286,199,407	279,414,560
Consumer deposits	21	161,471,743	101,668,902
Employee benefit obligation	27	806,000	972,000
Unspent conditional grants and receipts	22	106,083,319	107,483,829
Current portion of Operating lease liability	23	97,893	304,171
Current portion of Finance lease obligation	24	44,968,869	41,538,934
Current portion of Borrowings	25	100,965,373	35,002,987
Current portion of Provisions	26	343,044,894	194,808,344
		2,362,343,505	1,598,785,079
Non-Current Liabilities			
Operating lease liability	23	-	96,338
Finance lease obligation	24	20,184,450	68,799,455
Borrowings	25	673,092,550	557,182,589
Provisions	26	178,043,634	294,353,503
Employee benefit obligation	27	729,754,000	645,493,000
Deferred tax	18	462,929,813	391,523,240
FRESHCO liability	28	214,558,041	193,357,936
Land availability liability	29	186,119,361	31,575,456
		2,464,681,849	2,182,381,517
Total Liabilities		4,827,025,354	3,781,166,596
Net Assets		13,494,772,247	13,747,078,040

* See Note 59

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Reserves			
Revaluation reserve	30	1,961,930,567	1,984,560,395
Other NDR	31	60,000,000	60,000,000
Self insurance reserve	32	5,000,000	5,000,000
COID reserve	33	12,511,880	10,628,620
Accumulated surplus		11,455,329,800	11,686,889,025
Total Net Assets		13,494,772,247	13,747,078,040

* See Note 59

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	36	2,891,918,204	2,717,576,105
Rental of facilities and equipment	37	33,243,326	28,370,601
Income from agency services		4,788,455	4,750,908
Licences and permits		656,529	170,677
Other income from exchange transactions	38	77,612,549	57,090,659
Interest received	39	220,587,550	237,073,638
Total revenue from exchange transactions		3,228,806,613	3,045,032,588
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	40	810,476,472	787,453,693
Transfer revenue			
Government grants & subsidies	41	1,710,171,686	1,608,312,776
Fines		51,082,513	77,671,023
Other income from non-exchange transactions	42	47,486,438	24,945,123
Total revenue from non-exchange transactions		2,619,217,109	2,498,382,615
Total revenue	35	5,848,023,722	5,543,415,203
Expenditure			
Employee related costs	43	(1,423,526,305)	(1,261,395,316)
Remuneration of councillors	44	(52,421,659)	(49,594,283)
Depreciation and amortisation	45	(693,119,346)	(653,386,515)
Impairment loss/ Reversal of impairments	46	(5,800,468)	(6,489,096)
Finance costs	47	(140,680,324)	(96,812,968)
Debt Impairment	48	(394,970,009)	(607,335,202)
Repairs and maintenance		(491,163,818)	(335,486,675)
Bulk purchases	49	(1,758,933,035)	(1,614,567,988)
Contracted services	50	(494,628,031)	(329,814,213)
Grants and subsidies paid	51	(5,196,378)	(10,679,376)
General expenses	52	(474,115,484)	(494,106,173)
Total expenditure		(5,934,554,857)	(5,459,667,805)
Operating (deficit) surplus		(86,531,135)	83,747,398
Loss on disposal of assets and liabilities		(30,021,902)	(17,733,658)
Fair value adjustments	53	(139,118,141)	9,683
Actuarial gains/losses	27	(388,000)	3,254,000
		(169,528,043)	(14,469,975)
(Deficit) surplus before taxation		(256,059,178)	69,277,423
Taxation	54	4,287,372	83,243,365
(Deficit) surplus for the year		(251,771,806)	152,520,788

* See Note 59

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Other NDR	Self Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	942,625,311	60,000,000	5,000,000	8,934,693	1,016,560,004	11,356,741,200	12,373,301,204
Adjustments							
Prior year adjustments	8,504,058	-	-	-	8,504,058	166,690,889	175,194,947
Balance at 01 July 2014 as restated*	951,129,369	60,000,000	5,000,000	8,934,693	1,025,064,062	11,523,432,089	12,548,496,151
Changes in net assets							
Surplus for the year	-	-	-	-	-	152,520,788	152,520,788
Revaluation of assets	1,452,032,434	-	-	-	1,452,032,434	-	1,452,032,434
Realisation of Revaluation Reserve	(12,032,305)	-	-	-	(12,032,305)	12,630,075	597,770
Contributions received	-	-	264,447	3,132,626	3,397,073	(3,397,073)	-
Insurance claims processed	-	-	(264,447)	(1,438,699)	(1,703,146)	1,703,146	-
Deferred tax	(406,569,103)	-	-	-	(406,569,103)	-	(406,569,103)
Total changes	1,033,431,026	-	-	1,693,927	1,035,124,953	163,456,936	1,198,581,889
Opening balance as previously reported	1,976,056,336	60,000,000	5,000,000	10,628,620	2,051,684,956	11,485,941,640	13,537,626,596
Adjustments							
Prior year adjustments	8,504,059	-	-	-	8,504,059	200,947,388	209,451,447
Balance at 01 July 2015 as restated*	1,984,560,395	60,000,000	5,000,000	10,628,620	2,060,189,015	11,686,889,028	13,747,078,043
Changes in net assets							
Surplus for the year	-	-	-	-	-	(251,771,806)	(251,771,806)
Impairment losses on revalued capital assets	(17,794,678)	-	-	-	(17,794,678)	-	(17,794,678)
Revaluation of assets	17,260,688	-	-	-	17,260,688	-	17,260,688
Realisation of Revaluation Reserve	(22,095,838)	-	-	-	(22,095,838)	22,095,838	-
Contributions received	-	-	180,770	3,393,230	3,574,000	(3,574,000)	-
Insurance claims processed	-	-	(180,770)	(1,509,970)	(1,690,740)	1,690,740	-
Total changes	(22,629,828)	-	-	1,883,260	(20,746,568)	(231,559,228)	(252,305,796)
Balance at 30 June 2016	1,961,930,567	60,000,000	5,000,000	12,511,880	2,039,442,447	11,455,329,800	13,494,772,247
Note(s)	30	31	32	33			

* See Note 59

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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		3,332,542,714	3,009,005,727
Grants		1,708,771,176	1,612,093,491
Interest income		188,038,104	201,445,849
		<u>5,229,351,994</u>	<u>4,822,545,067</u>
Payments			
Employee costs		(1,452,614,961)	(1,275,076,599)
Suppliers		(2,679,132,615)	(2,629,470,020)
Finance costs		(7,774)	(4,368)
Grants paid		(5,196,378)	(10,679,376)
		<u>(4,136,951,728)</u>	<u>(3,915,230,363)</u>
Net cash flows from operating activities	55	<u>1,092,400,266</u>	<u>907,314,704</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(1,478,955,229)	(1,240,195,890)
Proceeds from sale of investment property	13	176,000	6,537,000
Purchase of other intangible assets	15	(6,144,308)	(18,251,105)
Purchase of other receivables from non-exchange transactions		1,653,610	(1,184,150)
Proceeds from sale of investments		254,896,890	(130,297,220)
Interest (paid) / received		32,549,446	35,627,789
		<u>(1,195,823,591)</u>	<u>(1,347,763,576)</u>
Net cash flows from investing activities		<u>(1,195,823,591)</u>	<u>(1,347,763,576)</u>
Cash flows from financing activities			
Proceeds from borrowings		173,000,000	427,000,000
Repayment of borrowings		(20,502,332)	(26,677,891)
Interest (paid) / received		(50,923,866)	(43,844,600)
Finance lease payments		(45,185,070)	(33,177,177)
Consumer deposits		59,802,838	23,651,263
		<u>116,191,570</u>	<u>346,951,595</u>
Net cash flows from financing activities		<u>116,191,570</u>	<u>346,951,595</u>
Net increase/(decrease) in cash and cash equivalents		<u>12,768,245</u>	<u>(93,497,277)</u>
Cash and cash equivalents at the beginning of the year		312,911,132	406,408,409
Cash and cash equivalents at the end of the year	12	<u>325,679,377</u>	<u>312,911,132</u>

* See Note 59

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 70
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	913,072,817	(167,761,698)	745,311,119	810,476,472	65,165,353	A1;B1
Service charges	3,615,605,352	(389,623,610)	3,225,981,742	2,892,012,542	(333,969,200)	A2;B2
Investment revenue	154,381,795	(83,240,650)	71,141,145	45,387,094	(25,754,051)	B3
Transfers recognised - operational	615,255,000	17,792,291	633,047,291	655,808,218	22,760,927	A3;B4
Other own revenue	1,420,979,222	(43,978,015)	1,377,001,207	475,251,275	(901,749,932)	A4;B5
Total Revenue (excluding capital transfers and contributions)	6,719,294,186	(666,811,682)	6,052,482,504	4,878,935,601	(1,173,546,903)	
Expenditure by type						
Employee costs	(1,711,050,898)	268,531,686	(1,442,519,212)	(1,414,714,863)	27,804,349	A5;B6
Remuneration of councillors	(54,215,591)	-	(54,215,591)	(53,472,431)	743,160	
Debt impairment	(242,626,112)	-	(242,626,112)	(394,970,009)	(152,343,897)	B7
Depreciation & asset impairment	(527,384,374)	35,507,661	(491,876,713)	(697,169,875)	(205,293,162)	B8
Finance charges	(224,941,236)	82,471,428	(142,469,808)	(141,059,323)	1,410,485	A6
Materials and bulk purchases	(2,152,070,570)	(13,228,386)	(2,165,298,956)	(2,239,717,120)	(74,418,164)	A7;B9
Transfers and grants	(117,570,826)	37,528,464	(80,042,362)	(13,794,034)	66,248,328	A8;B10
Other expenditure	(1,177,066,105)	(142,094,653)	(1,319,160,758)	(1,011,295,725)	307,865,033	A9;B11
Total expenditure	(6,206,925,712)	268,716,200	(5,938,209,512)	(5,966,193,380)	(27,983,868)	
Surplus / (Deficit)	512,368,474	(398,095,482)	114,272,992	(1,087,257,779)	(1,201,530,771)	
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	793,435,468	(67,430,113)	A3;B4
Contributions recognised - capital & contributed assets	20,952,879	-	20,952,879	37,763,137	16,810,258	B12
Surplus / (Deficit) after capital transfers & contributions	1,287,325,353	(291,233,901)	996,091,452	(256,059,174)	(1,252,150,626)	
Taxation	-	-	-	4,287,372	4,287,372	
Surplus / (Deficit) for the year	1,287,325,353	(291,233,901)	996,091,452	(251,771,802)	(1,247,863,254)	
Reconciliation						
Total Revenue Reconciliation						
Actuarial gains/losses				(388,000)		R1
Fair value adjustments				(139,118,141)		R1
Profit on sale of assets				592,710		
Deferred lease (Net)				917,718		
Interdepartmental charges				106,198		
Total Expenses Reconciliation						
Actuarial gains/losses				388,000		R1
Fair value adjustment				139,118,141		
Profit on sale of assets				(592,710)		
Deferred lease (Net)				(917,718)		
Interdepartmental charges				(106,198)		
Actual Amount in the Statement of Financial Performance				(251,771,802)		

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 70
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash	146,662,980	(86,041,665)	60,621,315	325,679,377	265,058,062	A10;B13
Call investment deposits	533,492,589	(104,067,604)	429,424,985	107,818,543	(321,606,442)	A10;B13
Consumer debtors	1,492,016,575	(154,905,902)	1,337,110,673	1,067,310,058	(269,800,615)	A10;B13
Other debtors	969,133,548	(99,575,473)	869,558,075	157,944,133	(711,613,942)	A10;B13
Current portion of long-term receivables	14,408,692	-	14,408,692	295,545	(14,113,147)	A10;B13
Inventory	253,456,651	(66,554,405)	186,902,246	438,906,236	252,003,990	A10;B13
	3,409,171,035	(511,145,049)	2,898,025,986	2,097,953,892	(800,072,094)	
Non-Current Assets						
Long-term receivables	19,552,978	(2,045,806)	17,507,172	2,732,863	(14,774,309)	A10;B13
Investments	18,000	-	18,000	-	(18,000)	A10;B13
Investment property	249,528,038	-	249,528,038	1,497,507,000	1,247,978,962	A10;B13
Property, plant and equipment	13,707,173,473	626,846,769	14,334,020,242	14,471,357,776	137,337,534	A10;B13
Intangible assets	235,099,020	104,115,605	339,214,625	108,354,623	(230,860,002)	A10;B13
Other non-current assets	15,892,876	-	15,892,876	-	(15,892,876)	A10;B13
Deferred tax asset	-	-	-	143,891,447	143,891,447	A10;B13
	14,227,264,385	728,916,568	14,956,180,953	16,223,843,709	1,267,662,756	
Total Assets	17,636,435,420	217,771,519	17,854,206,939	18,321,797,601	467,590,662	
Liabilities						
Current Liabilities						
Borrowing	120,157,767	-	120,157,767	146,032,135	25,874,368	A10;B13
Consumer deposits	79,438,395	20,048,711	99,487,106	161,471,743	61,984,637	A10;B13
Trade and other payables	1,535,455,468	(92,478,479)	1,442,976,989	1,710,988,734	268,011,745	A10;B13
Provisions	149,558,075	-	149,558,075	343,850,894	194,292,819	A10;B13
	1,884,609,705	(72,429,768)	1,812,179,937	2,362,343,506	550,163,569	
Non-Current Liabilities						
Borrowing	605,512,000	-	605,512,000	1,093,954,402	488,442,402	A10;B13
Provisions	1,186,127,259	-	1,186,127,259	907,797,634	(278,329,625)	A10;B13
Deferred tax	-	-	-	462,929,813	462,929,813	A10;B13
	1,791,639,259	-	1,791,639,259	2,464,681,849	673,042,590	
Total Liabilities	3,676,248,964	(72,429,768)	3,603,819,196	4,827,025,355	1,223,206,159	
Net Assets	13,960,186,456	290,201,287	14,250,387,743	13,494,772,246	(755,615,497)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	12,998,724,850	290,201,287	13,288,926,137	11,455,329,799	(1,833,596,338)	A10;B13
Reserves	961,461,606	-	961,461,606	2,039,442,447	1,077,980,841	A10;B13
Total community wealth/equity	13,960,186,456	290,201,287	14,250,387,743	13,494,772,246	(755,615,497)	

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 70
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	5,166,172,418	(444,897,021)	4,721,275,397	3,332,542,714	(1,388,732,683)	A11;B14
Government - operating	615,255,000	(2,029,000)	613,226,000	918,761,614	305,535,614	A11;B14
Government - capital	754,004,000	(7,660,000)	746,344,000	790,009,562	43,665,562	A11;B14
Interest	325,460,493	(153,278,747)	172,181,746	188,038,104	15,856,358	A11;B14
	6,860,891,911	(607,864,768)	6,253,027,143	5,229,351,994	(1,023,675,149)	
Payments						
Suppliers and employees	(4,841,807,910)	77,121,430	(4,764,686,480)	(4,131,747,576)	632,938,904	A11;B14
Finance charges	(205,371,115)	92,372,565	(112,998,550)	(7,774)	112,990,776	A11;B14
Transfers and Grants	(43,015,663)	38,696,018	(4,319,645)	(5,196,378)	(876,733)	A11;B14
	(5,090,194,688)	208,190,013	(4,882,004,675)	(4,136,951,728)	745,052,947	
Net cash flows from operating activities	1,770,697,223	(399,674,755)	1,371,022,468	1,092,400,266	(278,622,202)	
Cash flows from investing activities						
Receipts						
Proceeds on disposal of PPE	539,500	(539,500)	-	176,000	176,000	A11;B14
Decrease (Increase) in non-current debtors	-	-	-	1,653,610	1,653,610	
Decrease (increase) other non-current receivables	-	-	-	254,896,890	254,896,890	B14
Interest received	-	-	-	32,549,446	32,549,446	
	539,500	(539,500)	-	289,275,946	289,275,946	
Payments						
Capital assets	(1,588,280,322)	(9,834,513)	(1,598,114,835)	(1,485,099,537)	113,015,298	A11;B14
Net cash flows from investing activities	(1,587,740,822)	(10,374,013)	(1,598,114,835)	(1,195,823,591)	402,291,244	
Cash flows from financing activities						
Receipts						
Borrowing long term/refinancing	173,000,000	-	173,000,000	173,000,000	-	A11;B14
Increase (decrease) in consumer deposits	6,000,000	(4,001,070)	1,998,930	59,802,841	57,803,911	A11;B14
	179,000,000	(4,001,070)	174,998,930	232,802,841	57,803,911	
Payments						
Repayment of borrowing	(131,135,568)	19,670,335	(111,465,233)	(65,687,402)	45,777,831	A11;B14
Interest paid	-	-	-	(50,923,869)	(50,923,869)	
	(131,135,568)	19,670,335	(111,465,233)	(116,611,271)	(5,146,038)	
Net cash flows from investing activities	47,864,432	15,669,265	63,533,697	116,191,570	52,657,873	
Net increase/(decrease) in cash held	230,820,833	(394,379,503)	(163,558,670)	12,768,245	176,326,915	
Cash/cash equivalents at the year begin:	449,334,735	96,830,402	546,165,137	312,911,132	(233,254,005)	
Cash and cash equivalents at the end of the year	680,155,568	(297,549,101)	382,606,467	325,679,377	(56,927,090)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	913,072,817	(167,761,698)	745,311,119	-	-	745,311,119	810,476,472	-	65,165,353	109 %	89 %
Service charges	3,615,605,352	(389,623,610)	3,225,981,742	-	-	3,225,981,742	2,892,012,542	-	(333,969,200)	90 %	80 %
Investment revenue	154,381,795	(83,240,650)	71,141,145	-	-	71,141,145	45,387,094	-	(25,754,051)	64 %	29 %
Transfers recognised - operational	615,255,000	17,792,291	633,047,291	-	-	633,047,291	655,808,218	-	22,760,927	104 %	107 %
Other own revenue	1,420,979,222	(43,978,015)	1,377,001,207	-	-	1,377,001,207	475,251,275	-	(901,749,932)	35 %	33 %
Total revenue (excluding capital transfers and contributions)	6,719,294,186	(666,811,682)	6,052,482,504	-	-	6,052,482,504	4,878,935,601	-	(1,173,546,903)	81 %	73 %
Employee costs	(1,711,050,898)	268,531,686	(1,442,519,212)	-	-	(1,442,519,212)	(1,414,714,863)	-	27,804,349	98 %	83 %
Remuneration of councillors	(54,215,591)	-	(54,215,591)	-	-	(54,215,591)	(53,472,431)	-	743,160	99 %	99 %
Debt impairment	(242,626,112)	-	(242,626,112)	-	-	(242,626,112)	(394,970,009)	-	(152,343,897)	163 %	163 %
Depreciation and asset impairment	(527,384,374)	35,507,661	(491,876,713)	-	-	(491,876,713)	(697,169,875)	-	(205,293,162)	142 %	132 %
Finance charges	(224,941,236)	82,471,428	(142,469,808)	-	-	(142,469,808)	(141,059,323)	-	1,410,485	99 %	63 %
Materials and bulk purchases	(2,152,070,570)	(13,228,386)	(2,165,298,956)	-	-	(2,165,298,956)	(2,239,717,120)	-	(74,418,164)	103 %	104 %
Transfers and grants	(117,570,826)	37,528,464	(80,042,362)	-	-	(80,042,362)	(13,794,034)	-	66,248,328	17 %	12 %
Other expenditure	(1,177,066,105)	(142,094,653)	(1,319,160,758)	-	-	(1,319,160,758)	(1,011,295,725)	-	307,865,033	77 %	86 %
Total expenditure	(6,206,925,712)	268,716,200	(5,938,209,512)	-	-	(5,938,209,512)	(5,966,193,380)	-	(27,983,868)	100 %	96 %
Surplus/(Deficit)	512,368,474	(398,095,482)	114,272,992	-	-	114,272,992	(1,087,257,779)	-	(1,201,530,771)	(951)%	(212)%

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-		860,865,581	793,435,468		(67,430,113)	92 %	105 %
Contributions recognised - capital and contributed assets	20,952,879	-	20,952,879	-		20,952,879	37,763,137		16,810,258	180 %	180 %
Surplus (Deficit) after capital transfers and contributions	1,287,325,353	(291,233,901)	996,091,452	-		996,091,452	(256,059,174)		(1,252,150,626)	(26)%	(20)%
Taxation	-	-	-	-		-	(4,287,372)		(4,287,372)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	1,287,325,353	(291,233,901)	996,091,452	-		996,091,452	(251,771,802)		(1,247,863,254)	(25)%	(20)%

Capital expenditure and funds sources

Total capital expenditure	1,793,890,542	57,288,943	1,851,179,485	-		1,851,179,485	1,630,343,006		(220,836,479)	88 %	91 %
Sources of capital funds											
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-		860,865,581	793,435,468		(67,430,113)	92 %	105 %
Public contributions and donations	20,952,879	-	20,952,879	-		20,952,879	37,763,137		16,810,258	180 %	180 %
Borrowing	514,256,000	14,673,228	528,929,228	-		528,929,228	390,239,730		(138,689,498)	74 %	76 %
Internally generated funds	504,677,663	(64,245,866)	440,431,797	-		440,431,797	408,904,671		(31,527,126)	93 %	81 %
Total sources of capital funds	1,793,890,542	57,288,943	1,851,179,485	-		1,851,179,485	1,630,343,006		(220,836,479)	88 %	91 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1,770,697,224	(399,674,756)	1,371,022,468	-		1,371,022,468	1,092,400,266		(278,622,202)	80 %	62 %
Net cash from (used) investing	(1,587,740,822)	(10,374,013)	(1,598,114,835)	-		(1,598,114,835)	(1,195,823,591)		402,291,244	75 %	75 %
Net cash from (used) financing	47,864,432	15,669,265	63,533,697	-		63,533,697	116,191,570		52,657,873	183 %	243 %
Net increase/(decrease) in cash and cash equivalents	230,820,834	(394,379,504)	(163,558,670)	-		(163,558,670)	12,768,245		176,326,915	(8)%	6 %
Cash and cash equivalents at the beginning of the year	449,334,735	96,830,402	546,165,137	-		546,165,137	312,911,132		(233,254,005)	57 %	70 %
Cash and cash equivalents at year end	680,155,569	(297,549,102)	382,606,467	-		382,606,467	325,679,377		56,927,090	85 %	48 %

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and the controlled entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of the controlled entity, is included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entity are used in the preparation of the consolidated annual financial statements which are prepared as of the same reporting date.

Adjustments are made when necessary to the annual financial statements of the controlled entity to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

1.3 Significant judgements and sources of estimation uncertainty

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

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables, loans and other receivables

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

Where the impairment for trade receivables and loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to loan balances in the portfolio. 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. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow moving, damaged and obsolete inventory to write this inventory 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 statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets such as trading 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 entity is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 26 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 - Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The entity 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 post retirement obligations. In determining the appropriate discount rate, the entity 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 post retirement benefit liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 27.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The municipal entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The municipal entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the municipal entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the municipal entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expense

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

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

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Investment property (continued)

- 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 entity, 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.

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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.

Although unlikely, 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.

Derecognition

Items of investment property 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 investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

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 (other than investment property), 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 entity; 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.

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1.5 Property, plant and equipment (continued)

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of an item of property, plant and equipment. 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 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.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, zoo animals and electrical infrastructure 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.

Revaluations are made with sufficient regularity by registered valuers for every class separately.

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

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

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

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

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

Depreciation and impairment:

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

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 shall be depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life (years)
Buildings	Straight line	30-53
Other vehicles	Straight line	3-55
Fire arms	Straight line	5-40
Environmental facilities	Straight line	15
Roads and stormwater	Straight line	5-100
Equipment under finance lease	Straight line	3-5
Security	Straight line	8-12
Specialised plant and equipment	Straight line	3-55
Sewerage and mains	Straight line	40-100
Water and sewerage network	Straight line	7-100
Community / Recreational facilities	Straight line	6-100
Quarries	Straight line	20-30
Landfill sites	Straight line	20-69
Housing	Straight line	50
Other assets	Straight line	3-35
Electrical infrastructure	Straight line	3-50

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

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

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

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

Derecognition:

Items of entity 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 entity 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 entity 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 entity 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:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the entity 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.

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Accounting Policies

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 entity 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 entity; and
- the cost or fair value of the asset can be measured reliably.

The entity 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.

Intangible assets are initially recognised at cost.

Subsequent measurement:

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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	3-30 years
Servitudes	Indefinite

Derecognition:

Intangible assets are derecognised:

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

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

1.8 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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Accounting Policies

1.8 Heritage assets (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The heritage assets of the entity shall not be depreciated, but the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognitions of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

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Accounting Policies

1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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1.10 Financial instruments (continued)

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

The entity assess financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
 - or
 - National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 6, 7, 8 and 9 for the impact of the above application.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

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Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

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Accounting Policies

1.10 Financial instruments (continued)

Presentation

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

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

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.12 Leases

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

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

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Accounting Policies

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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.

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

1.13 Inventories

The entity recognises inventories as an asset when;

- (a) it is probable that future economic benefits or service potential associate with the item will flow to the entity; and
- (b) the cost of the inventory can be measured reliably.

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

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

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

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

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

Current replacement cost is the cost the entity 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 entity.

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.

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Accounting Policies

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

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

Mangaung Metropolitan Municipality

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity 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 entity uses 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.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity 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.

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

Mangaung Metropolitan Municipality

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Accounting Policies

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

Identification

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

The entity 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 entity 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.

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 approach based on the availability of data and the nature of the impairment.

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 entity 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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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.

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Accounting Policies

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

Reversal of an impairment loss

The entity 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 entity 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.

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

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.

Redesignation

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

1.16 Advance receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance that cannot be directly linked to a service are classified as non-exchange transactions as no approximate equal value is exchanged between the parties. Refer to note 20 Payables from non-exchange transactions where these receipts in advance are disclosed.

1.17 Employee benefits

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

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

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

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

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Accounting Policies

1.17 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

Post-employment benefits

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

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

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Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
 - interest cost;
 - the expected return on any plan assets and on any reimbursement rights;
 - actuarial gains and losses;
 - past service cost;
 - the effect of any curtailments or settlements; and
 - the effect of applying the limit on a defined benefit asset (negative defined benefit liability).
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Accounting Policies

1.17 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Actuarial assumptions are included in note 27 - Employee benefit obligations.

Mangaung Metropolitan Municipality

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Accounting Policies

1.17 Employee benefits (continued)

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.

1.18 Provisions and contingencies

Provisions are recognised when:

- the entity 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 entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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

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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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 57.

Mangaung Metropolitan Municipality

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Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.19 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 56.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.20 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.

- Brandwag Property;
- Hillside View Property;
- Vista Park Extension 2 Property; and
- Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:

- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:

- Are provided by the entity which:
 - Are existing assets of the entity; or
 - Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
 - Are existing assets of the third party; or
 - Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:

- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g. cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

1.21 Internal reserves

Other non-distributable reserve (NDR)

The municipal entity has a non-distributable reserve held in accordance with the requirements of the agreement between the municipal entity and the National Energy Regulator of South Africa (NERSA).

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit).

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Mangaung Metropolitan Municipality

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Accounting Policies

1.21 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act, (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

1.22 Revaluation reserve

The surplus arising from the revaluation of land and buildings, zoo animals and electrical infrastructure is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.23 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 entity 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.

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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.

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Mangaung Metropolitan Municipality

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- 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 fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.24 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, and property rates.

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

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

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

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

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Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.25 Conditional grants and receipts

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

1.26 Investment income

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

1.27 Borrowing costs

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

1.28 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

Mangaung Metropolitan Municipality

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Accounting Policies

1.29 Comparative figures

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

The comparative figures have been restated.

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Accounting Policies

1.30 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Detailed disclosures are made in note 63 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.31 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.

Detailed disclosures are made in note 64 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.32 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of section 170;
- b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that act;
- c) the Public Office-Bearers Act, (Act No.20 of 1998)
- d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

Detailed disclosures are made in note 65 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.33 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries or associates. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the consolidated annual financial statements as the recommended disclosure when the consolidated annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 70 to the annual financial statements.

Mangaung Metropolitan Municipality

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Accounting Policies

1.34 Related parties

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

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

The entity regards all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the accounting officer as key management per the definition of the financial reporting standard.

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 entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

1.35 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.36 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements. GRAP 18 has not been considered in developing these policies.

1.37 Events after reporting date

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

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

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

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

Mangaung Metropolitan Municipality

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity 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:
GRAP 105: Transfers of functions between entities under common control	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 106: Transfers of functions between entities not under common control	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 107: Mergers	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 18: Segment Reporting 	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements. Municipalities and municipal entities are not required to apply or early adopt GRAP 18 Segment Reporting as the Minister of Finance has not yet determined the effective date for application by these entities.
<ul style="list-style-type: none"> GRAP 20: Related parties 	No date has been determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration
<ul style="list-style-type: none"> GRAP 32: Service Concession Arrangements: Grantor 	No date has been determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> GRAP 108: Statutory Receivables 	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset GRAP 16 (as amended 2015): Investment Property 	No date has been determined 1 April 2016	The impact of the amendment is not material It is unlikely that the standard will have a material impact on the annual financial statements as the amendments provide additional clarity on the identification of investment property

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 17 (as amended 2015): Property, Plant and Equipment	1 April 2016	<p>The most significant change relates to the additional disclosure regarding capital work in progress impacting the various asset categories. It is unlikely that the standard will have a material impact on the annual financial statements.</p> <p>The amendments provide additional guidance on distinguishing cash-generating assets vs non-cash generating assets. The amendments also require additional disclosure on assumptions made.</p> <p>The amendments provide additional guidance on distinguishing cash-generating assets vs non-cash generating assets. The amendments also require additional disclosure on assumptions made.</p> <p>This directive will not have an effect on the annual financial statements as is it issued for Public Entities, and will not be applicable to municipalities.</p>
• GRAP 109: Accounting by Principals and Agents	1 April 2017	
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	1 April 2017	
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	1 April 2017	
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	1 April 2018	

3. Change in estimate

Property, plant and equipment

In the current reporting period as part of the preparation of the Annual Financial Statement the entity reviewed the useful lives and conditions of its assets. This resulted in the adjustment of the remaining useful lives of various assets. The effect of the revision is a decrease in depreciation for the current year amounting to R14,387,275. It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

Intangible assets

Entity

In the current period management have revised their estimated useful life of the Freshmark System. The remaining useful life of the system is estimated to be 2 years from 30 June 2016. The effect on the amortisation for the current year is a decrease from R1,968 to R655 for the year.

Municipal Entity

The municipal entity re-assessed the remaining useful lives of all intangible assets, which led to a change in the amortisation for the current year. The aggregate effect of the changes a decrease in the future amortisation from R13,846,841 to R12,648,481 for the remaining useful lives.

4. Consolidation adjustments

These financial statements has been prepared taking into account the AFS for the individual entity as well as those of the municipal entity. Errors that occurred on the individual AFS have been corrected resulting in the adjustment of Property, plant and equipment.

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Figures in Rand	2016	2015
5. Inventories		
Raw materials, components	87,739,099	67,137,369
Consumable stores	9,467,720	7,688,982
Maintenance materials	1,343,546	948,999
Water	2,366,673	2,059,790
Unsold Properties Held for Resale	337,613,280	241,450,290
Fuel (Diesel, Petrol)	375,918	1,989,782
	438,906,236	321,275,212
Inventory recognised as an expense		
Inventories recognised as an expense during the year	78,583,966	99,198,384
Inventory written off	2,791,245	1,335,710
	81,375,211	100,534,094
Inventory pledged as security		
No inventory was pledged as security for any financial liability		
6. Other receivables from non-exchange transactions		
Fines Receivables	192,120,152	148,107,402
Impairment of Fines Receivables	(187,666,060)	(147,297,357)
	4,454,092	810,045
Fines Receivables consists out of debtors raised from Fines Revenue as disclosed in note 35		
Other receivables from non-exchange pledged as security		
None of the other receivables from non-exchange transactions were pledged as security for any financial liability.		
Credit quality of other receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
None of the financial assets that are fully performing have been renegotiated in the last year.		
The entity does not hold any collateral as security.		
Other receivables from non-exchange transactions impaired		
As of 30 June 2016, other receivables from non-exchange transactions of R 187,666,060 (2015: R 147,297,357) were impaired and provided for.		
The amount of the provision was R 187,666,060 as of 30 June 2016 (2015: R 147,297,357).		
Reconciliation of provision for impairment of other receivables from non-exchange transactions		
Opening balance	147,297,357	73,752,531
Provision for impairment	40,368,703	73,544,826
	187,666,060	147,297,357

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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
7. Other receivables from exchange transactions		
Deposits	824,195	725,341
DOE Grant - Southern Free State Towns	5,066,942	5,087,728
Insurance debtor	112,797	112,797
Interest on investment	18,873	26,204
Kopanong Local Municipality	11,679,112	14,618,595
Mohakare Local Municipality	23,570,114	18,384,364
Naledi Local Municipality	18,211,738	15,434,905
Prepaid expenses	540,543	509,299
Receipt reversal	407,504	2,665
Staff leave days receivable	1,754,701	1,294,038
Vendors	3,886,687	3,054,423
Sundry debtors	45,307,500	37,867,347
Sundry debtors - Impairment	(15,113,779)	(14,255,929)
Sundry debtors - Impairment	-	5,273,434
	96,266,927	88,135,211

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 2,345,855 (2015: R 3,701,341) were past due but not impaired.

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

1 month past due	1,475,176	2,314,914
2 months past due	870,679	1,386,427

Other receivables from exchange transactions impaired

As of 30 June 2016, other receivables from exchange transactions of R 15,104,883 (2015: R 14,255,929) were impaired and provided for.

The amount of the provision was R 15,104,883 as of 30 June 2016 (2015: R 14,255,929).

The ageing of these receivables is as follows:

Over 3 months	15,104,883	14,255,929
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Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	14,255,929	7,575,331
Provision for impairment	(1,561,167)	27,369,209
Amounts written off as uncollectible	2,410,120	(20,688,611)
	15,104,882	14,255,929

Sundry debtors consist out of debtors raised from other income from exchange transactions recognised (refer to note 38).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.

8. Consumer receivables from non-exchange transactions

Rates	262,419,381	303,378,328
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Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer receivables from non-exchange transactions (continued)		
Rates - Gross balance	837,068,534	856,415,246
Rates - Impairment	(574,649,153)	(553,036,918)
	262,419,381	303,378,328
Rates ageing		
Current (0 - 30 days)	61,791,905	59,950,027
31 - 60 days	36,556,563	47,711,977
61 - 90 days	30,863,664	41,033,025
91+ days	707,856,402	707,720,217
Gross balance	837,068,534	856,415,246
Less: Impairment	(574,649,153)	(553,036,918)
	262,419,381	303,378,328
Summary by customer classification		
Residential and sundry		
Current (0 - 30 days)	24,517,658	23,664,290
31 - 60 days	14,547,924	15,388,554
61 - 90 days	12,585,008	12,196,922
91+ days	357,515,168	302,176,753
Subtotal	409,165,758	353,426,519
Less: Impairment	(342,877,650)	(286,821,996)
	66,288,108	66,604,523
Business / Commercial		
Current (0 - 30 days)	24,444,997	27,551,034
31 - 60 days	11,868,048	19,464,416
61 - 90 days	9,556,792	16,356,896
91+ days	249,262,096	290,627,594
Subtotal	295,131,933	353,999,940
Less: Impairment	(231,771,503)	(266,214,922)
	63,360,430	87,785,018
Government		
Current (0 - 30 days)	12,829,250	8,734,703
31 - 60 days	10,140,591	12,859,007
61 - 90 days	8,721,864	12,479,207
91+ days	101,079,138	114,915,868
	132,770,843	148,988,785

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of consumer receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from non-exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand 2016 2015

8. Consumer receivables from non-exchange transactions (continued)

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 67,420,227 (2015: R 88,745,002) were past due but not impaired.

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

1 month past due	36,556,563	47,711,977
2 months past due	30,863,664	41,033,025

Consumer receivables from non-exchange transactions impaired

As of 30 June 2016, consumer receivables from non-exchange transactions of R 574,649,153 (2015: R 553,036,918) were impaired and provided for.

The ageing of these consumer receivables from non-exchange transactions is as follows:

Over 3 months	574,649,153	553,036,918
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Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	553,036,918	376,933,296
Provision for impairment	51,631,592	174,443,076
Amounts (written off as uncollectible) / recovered	(30,019,357)	1,660,546
	574,649,153	553,036,918

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

9. Consumer receivables from exchange transactions

Net balance

Electricity	353,980,856	217,339,796
Water	324,862,803	308,954,683
Sewerage	96,918,729	81,750,369
Refuse	27,179,292	23,022,668
Housing rental	1,728,745	1,665,149
Unallocated deposits	220,252	220,252
	804,890,677	632,952,917

Net balance reconciliation - 2016

	Gross balance	Impairment	Net balance
Electricity	678,019,038	(324,038,182)	353,980,856
Water	1,495,444,326	(1,170,581,523)	324,862,803
Sewerage	337,876,855	(240,958,126)	96,918,729
Refuse	142,652,630	(115,473,338)	27,179,292
Housing rental	12,731,742	(11,002,997)	1,728,745
Unallocated deposits	220,252	-	220,252
	2,666,944,843	(1,862,054,166)	804,890,677

Net balance reconciliation - 2015

	Gross balance	Impairment	Net balance
Electricity	627,528,958	(410,189,162)	217,339,796
Water	1,345,940,504	(1,036,985,821)	308,954,683
Sewerage	295,826,131	(214,075,762)	81,750,369
Refuse	129,054,630	(106,031,962)	23,022,668
Housing rental	8,587,589	(6,922,440)	1,665,149
Unallocated deposits	220,252	-	220,252
	2,407,158,064	(1,774,205,147)	632,952,917

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Figures in Rand	2016	2015
9. Consumer receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	166,428,829	108,444,535
31 - 60 days	55,629,462	48,936,037
61 - 90 days	14,812,381	17,741,530
91+ days	285,366,493	300,186,995
Meter reading estimate	156,266,248	154,421,694
Accrual prepaid sales	(39,983)	(39,983)
Discounting	(101,301)	(535,499)
Transferred to non-current receivables	(343,091)	(1,626,351)
Gross balance	678,019,038	627,528,958
Less: Impairment	(324,038,182)	(410,189,162)
	353,980,856	217,339,796
Water		
Current (0 - 30 days)	73,664,620	97,232,685
31 - 60 days	57,009,360	51,346,645
61 - 90 days	52,134,656	49,492,701
91+ days	1,294,110,827	1,130,325,023
Meter reading estimate	18,524,863	17,543,450
Gross balance	1,495,444,326	1,345,940,504
Less: Impairment	(1,170,581,523)	(1,036,985,821)
	324,862,803	308,954,683
Sewerage		
Current (0 - 30 days)	21,302,937	18,997,461
31 - 60 days	13,379,750	13,660,769
61 - 90 days	11,021,450	12,131,906
91+ days	292,172,718	251,035,995
Gross balance	337,876,855	295,826,131
Less: Impairment	(240,958,126)	(214,075,762)
	96,918,729	81,750,369
Refuse		
Current (0 - 30 days)	7,068,831	6,562,370
31 - 60 days	4,652,991	4,317,179
61 - 90 days	4,076,739	3,821,589
91 - 120 days	126,854,069	114,353,492
Gross balance	142,652,630	129,054,630
Less: Impairment	(115,473,338)	(106,031,962)
	27,179,292	23,022,668
Housing rental		
Current (0 - 30 days)	363,760	259,446
31 - 60 days	448,069	396,737
61 - 90 days	421,973	386,794
91+ days	11,497,940	7,544,612
Gross balance	12,731,742	8,587,589
Less: Impairment	(11,002,997)	(6,922,440)
	1,728,745	1,665,149
Other transactions		
Unallocated deposits	220,252	220,252

Summary of debtors by customer classification

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
9. Consumer receivables from exchange transactions (continued)		
Residential and sundry		
Current (0 - 30 days)	87,222,903	111,869,382
31 - 60 days	61,782,494	64,243,058
61 - 90 days	55,056,744	56,735,126
91+ days	1,574,526,958	1,443,729,991
Meter reading estimate - Water	18,524,863	17,543,450
Meter reading estimate - Electricity	156,266,248	154,421,693
	<u>1,953,380,210</u>	<u>1,848,542,700</u>
Less: Allowance for impairment	(1,538,179,931)	(1,442,290,006)
	415,200,279	406,252,694
Business / commercial		
Current (0 - 30 days)	154,125,554	89,599,979
31 - 60 days	44,654,993	36,477,495
61 - 90 days	19,784,531	16,166,871
91+ days	297,749,037	207,696,090
	<u>516,314,115</u>	<u>349,940,435</u>
Less: Allowance for impairment	(323,874,235)	(331,915,140)
	192,439,880	18,025,295
Government		
Current (0 - 30 days)	27,480,519	30,027,134
31 - 60 days	24,682,146	17,936,815
61 - 90 days	7,625,924	10,672,522
91+ days	137,726,052	149,219,901
	<u>197,514,641</u>	<u>207,856,372</u>
Total		
Current (0 - 30 days)	268,828,976	231,496,495
31 - 60 days	131,119,633	118,657,368
61 - 90 days	82,467,199	83,574,519
91+ days	2,010,002,047	1,803,446,118
Meter reading estimate - water	18,524,863	17,543,450
Meter reading estimate - electricity	156,266,248	154,421,694
Unallocated deposits	220,252	220,252
Discounting	(101,301)	(535,499)
Accrual prepaid sales	(39,983)	(39,983)
Transferred to non-current receivables	(343,091)	(1,626,351)
	<u>2,666,944,843</u>	<u>2,407,158,063</u>
Less: Allowance for impairment	(1,862,054,166)	(1,774,205,146)
	804,890,677	632,952,917

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions have been pledged as security for any financial liabilities.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

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9. Consumer receivables from exchange transactions (continued)

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 260,897,207 (2015: R 156,268,812) were past due but not impaired.

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

1 month past due	114,544,761	89,780,229
2 months past due	66,696,384	62,636,335
3 months past due	79,656,062	3,852,248

Consumer receivables from exchange transactions impaired

As of 30 June 2016, consumer receivables from exchange transactions of R 1,862,054,166 (2015: R 1,774,205,147) were impaired and provided for.

The amount of the provision was R 1,862,054,166 as of 30 June 2016 (2015: R 1,774,205,147).

The ageing of these consumer receivables from exchange transactions is as follows:

Over 3 months	1,862,054,166	1,774,205,147
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Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	1,774,205,147	1,411,418,405
Allowance for impairment	393,515,380	428,529,405
Amounts written off as uncollectible	(235,412,847)	(65,742,663)
Unused amounts reversed	(70,253,514)	-
	1,862,054,166	1,774,205,147

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from exchange transactions.

10. VAT receivable

VAT	57,223,114	153,575,810
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VAT is payable on the payment basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Comparative information has been restated due to correction of prior period errors and omissions.

Disclosure in terms of the MFMA

Opening balance	153,575,811	150,837,419
VAT payable	(103,078,546)	(147,446,825)
VAT claimed not yet received	6,725,850	150,185,217
	57,223,115	153,575,811

11. Investments

Bank investments

Nedbank	-	139,614,679
First National Bank	-	107,303,639
ABSA	107,818,543	115,797,115
	107,818,543	362,715,433

Nedbank

The investment was a short-term 365 day fixed deposit which earned interest at 7.92%. The investment matured on 30 June 2016. No re-investment was made.

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11. Investments (continued)

First National Bank

The investment was a short-term 365 day fixed deposit which earned interest at 7.07%. The investment matured on 1 July 2015. No re-investment was made.

ABSA

The investment was a short-term 365 day fixed deposit which earned interest at 8.01%. The investment matured on 30 June 2016. A re-investment was made on 30 June 2016 as a new short-term 365 day fixed deposit which earns interest at 9.00%

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	133,049	127,549
Bank balances	307,391,657	97,439,007
Short-term deposits	18,154,671	215,344,576
	325,679,377	312,911,132

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2015: R50,000,000)

There are no restrictions on the entity's ability to realise cash balances.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Credit rating

Aa1	325,546,328	312,783,583
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Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	33	12,511,880	10,628,620
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.			

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12. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA - Primary Account - 470 000 465	40,463,260	72,753,889	27,491,702	40,463,260	72,753,889	30,910,107
ABSA - Fresh Produce - 470 001 348	3,839,477	2,848,076	2,043,264	3,839,477	2,848,076	2,043,264
ABSA - Direct Deposits - 470 001 380	-	-	-	1,180,482	526,222	-
ABSA - Cheque Account - 405 883 3582	271,089,053	18,939,560	30,473,525	247,918,957	19,406,828	34,324,866
ABSA - Cheque Account - 405 513 3721	22	289	55	22	289	55
ABSA - Cheque Account - 405 406 5339	264,629	79,266	142,041	261,746	79,266	142,041
ABSA - Cheque Account - 470 001 402	4,274,365	2,243,518	7,032,350	4,220,785	2,189,938	6,978,770
ABSA - Cheque Account - 405 453 0924	18,145	17,779	8,424	18,145	17,779	(6,530)
ABSA - Cheque Account - 407 820 9583	11,181,230	1,304,309	202,707	9,459,886	(430,655)	(1,795,792)
ABSA - Cheque Account - 408 052 2070	22,462	21,268	21,344	22,462	21,268	21,344
ABSA - Cheque Account - 408 052 1896	6,435	26,106	6,970	6,435	26,106	6,970
Total	331,159,078	98,234,060	67,422,382	307,391,657	97,439,006	72,625,095

Summary of short term deposits held

Short term deposits held with ABSA	17,003,824	82,548,485
Short term deposits held with FNB	572,424	7,088,839
Short term deposits held with Nedbank	33,027	4,057,570
Short term deposits held with Standard Bank	545,396	121,649,682
	18,154,671	215,344,576

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13. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,497,507,000	-	1,497,507,000	1,636,496,363	-	1,636,496,363

Reconciliation of investment property - 2016

Investment property	Opening balance	Disposals	Revaluation	Total
	1,636,496,363	(176,000)	(138,813,363)	1,497,507,000

Reconciliation of investment property - 2015

Investment property	Opening balance	Transfers	Total
	1,643,033,363	(6,537,000)	1,636,496,363

Pledged as security

None of the investment property was pledged for any financial liability.

Details of property

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

Refer to Appendix B for further details on the movement on Investment Property.

Due to the limitations of the financial system, it is impractical to disclose the expenditure incurred with regard to investment property.

Details of valuation

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

The entity's investment property was revalued at 30 June 2016 by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

14. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,463,890,478	-	1,463,890,478	1,436,875,735	-	1,436,875,735
Buildings	1,353,009,257	(116,808,346)	1,236,200,911	1,303,904,026	(73,302,171)	1,230,601,855
Community	1,676,764,045	(772,849,984)	903,914,061	1,555,302,751	(689,389,513)	865,913,238
Electrical infrastructure	3,994,152,728	(400,567,306)	3,593,585,422	3,772,472,682	(301,691,553)	3,470,781,129
Infrastructure	8,978,644,179	(2,435,660,409)	6,542,983,770	7,883,365,968	(2,065,271,530)	5,818,094,438
Other property, plant and equipment	597,551,310	(188,336,863)	409,214,447	550,675,630	(167,538,890)	383,136,740
Total	18,064,011,997	(3,914,222,908)	14,149,789,089	16,502,596,792	(3,297,193,657)	13,205,403,135

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14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluation / Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,436,875,735	35,001,000	(224,467)	(7,761,790)	-	-	-	1,463,890,478
Buildings	1,230,601,855	49,843,761	(494,124)	-	-	(43,750,581)	-	1,236,200,911
Community	865,913,238	132,879,761	(10,539,393)	-	(494,190)	(83,845,355)	-	903,914,061
Electrical infrastructure	3,470,781,129	232,988,483	(927,581)	-	599,870	(106,479,954)	(3,376,525)	3,593,585,422
Infrastructure	5,818,094,438	1,149,723,955	(24,306,904)	-	-	(400,527,719)	-	6,542,983,770
Other property, plant and equipment	383,136,740	75,884,467	(2,600,406)	-	-	(46,532,349)	(674,005)	409,214,447
	13,205,403,135	1,676,321,427	(39,092,875)	(7,761,790)	105,680	(681,135,958)	(4,050,530)	14,149,789,089

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,442,238,700	1,577,535	-	(9,240,000)	2,299,500	-	-	1,436,875,735
Buildings	1,214,582,565	25,594,141	-	-	26,528,789	(36,103,640)	-	1,230,601,855
Community	841,455,782	98,189,629	(841,578)	-	9,496,153	(81,868,684)	(518,064)	865,913,238
Electrical infrastructure	1,866,549,768	245,195,696	(10,728,770)	-	1,423,204,145	(53,439,710)	-	3,470,781,129
Infrastructure	5,404,510,909	843,770,761	-	-	-	(428,120,760)	(2,066,472)	5,818,094,438
Other property, plant and equipment	356,427,455	70,675,168	(1,178,360)	-	-	(39,022,776)	(3,764,747)	383,136,740
	11,125,765,179	1,285,002,930	(12,748,708)	(9,240,000)	1,461,528,587	(638,555,570)	(6,349,283)	13,205,403,135

Included in property, plant and equipment are 79 (2015: 79) assets with a nil carrying value at year end. The cost price of these assets amounts to R 3,328,246 (2015: R 3,328,246). These assets are not significant to the entity's operations and service delivery objectives.

Included in property, plant and equipment are 16 (2015: 16) fully depreciated assets no longer in use by the entity. The cost price of these assets amounts to R 114,654,249 (2015: R 114,654,249) and consists of closed landfill sites and quarries.

Refer to Appendix B for further details on the movement of property, plant and equipment.

Pledged as security

No property, plant and equipment has been pledged as security for any financial liabilities.

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14. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	156,452,479	146,950,620
Office equipment	10,951,841	-
Centlec leased assets	1,904,413	1,704,729
	169,308,733	148,655,349

Revaluations

The effective date of the revaluation was 30 June 2013. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The value of properties was determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

There are no restrictions on the revaluation surplus.

The effective date of the revaluations for land and buildings of the municipal entity was year end 30 June 2015. Revaluations for land and buildings were performed by the independent valuers, Mr Theunis Hendrik Myburgh & Mr Raymond Taylor, professional valuers in terms of the Valuers's Act, (Act 23 of 1982) of Equity Valuers. Equity Valuers is not connected to the entity.

The effective date of the revaluations for the electrical infrastructure assets was year end 30 June 2015. Revaluations for infrastructure assets was performed by an independent valuer, Mr Frederick Coenraad Edward van der Merwe, BSc (Electrical), Professional Engineer (Reg. no 9770135), Engineering Council of South Africa and member of the South African Institute of Electrical Engineers (Reg. no 11180) from FCE Consulting Engineers. FCE Consulting Engineers is not connected to the entity.

The valuations were performed using the depreciated replacement cost method.

Details of properties

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

Reconciliation of Assets under Construction 2016

	Included within Electrical Infrastructure	Included within Basic Services Infrastructure	Included within Community	Included within Other PPE	Total
Closing balance	178,149,468	1,200,153,472	99,299,091	61,373,977	1,538,976,008

Reconciliation of Assets under Construction 2015

	Included within Electrical Infrastructure	Included within Basic services Infrastructure	Included within Community	Included in Other PPE	Total
Closing balance	218,097,058	903,317,812	141,091,548	18,964,558	1,281,470,976

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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15. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	53,060,249	(29,592,566)	23,467,683	54,610,702	(23,538,265)	31,072,437
Servitudes	84,886,940	-	84,886,940	84,765,628	-	84,765,628
Total	137,947,189	(29,592,566)	108,354,623	139,376,330	(23,538,265)	115,838,065

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	31,072,437	6,620,108	(14,224,862)	23,467,683
Servitudes	84,765,628	121,312	-	84,886,940
	115,838,065	6,741,420	(14,224,862)	108,354,623

Reconciliation of intangible assets - 2015

	Opening balance	Additions	WIP Transferred to Additions	Amortisation	Total
Computer software	23,528,932	18,794,408	(562,999)	(10,687,904)	31,072,437
Servitudes	84,745,932	19,696	-	-	84,765,628
	108,274,864	18,814,104	(562,999)	(10,687,904)	115,838,065

Pledged as security

None of the intangible assets were pledged as security for any financial liability.

Other information

Refer to Appendix B for further details on the movement of intangible assets.

Intangible assets with indefinite lives:

Servitudes	84,886,940	84,765,628
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The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Mangaung Metropolitan Municipality

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16. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,568,687	-	321,568,687	321,568,687	-	321,568,687

Reconciliation of heritage assets 2016

Heritage assets	Opening balance 321,568,687	Total 321,568,687
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Reconciliation of heritage assets 2015

Heritage assets	Opening balance 321,568,687	Total 321,568,687
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Pledged as security

None of the heritage assets were pledged as security for any financial liability.

Revaluations

The fair value of heritage assets were determined by an independent valuer as at 30 June 2014.

The fair value of the heritage assets were determined after considering the following conditions:

- the condition of the asset
- the useful life of the asset
- the location of the asset

There are no restrictions on the distribution of the balance of the revaluation reserve.

Refer to Appendix B for further details on the movement of heritage assets.

17. Non-current receivables

Designated at fair value

2535 Unlisted shares - OVK Limited	33,107	32,498
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At amortised cost

Erven loans	8,760,885	8,904,843
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Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

Housing selling scheme loans	47,833,011	47,924,746
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Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

Cricket stadium	9,144,198	9,372,425
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The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022

Mangaung Metropolitan Municipality

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Figures in Rand	2016	2015
17. Non-current receivables (continued)		
Kopanong Local Municipality	1,269,360	1,449,290
The capital funding provided to Kopanong Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10%		
Mohokare Local Municipality	681,461	777,003
The capital funding provided to Mohokare Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10%		
Naledi Local Municipality	160,603	180,679
The capital funding provided to Naledi Local Municipality is repayable in monthly installments based on the estimated useful life of the capital asset. The capital advances bear interest at 10%		
Consumer debtors - Arrangements	343,091	1,626,351
Consumer debtors with arrangements that stretch over a period longer than 12 months.		
	68,192,609	70,235,337
Impairment - Erven loans	(8,593,141)	(8,735,906)
Impairment - Housing selling schemes	(47,755,514)	(47,468,253)
Impairment - Cricket stadium	(9,144,198)	(9,372,425)
	2,699,756	4,658,753
Total other financial assets	2,732,863	4,691,251
Non-current assets		
Designated at fair value	33,107	32,498
At amortised cost	2,699,756	4,658,753
	2,732,863	4,691,251
Current assets		
At amortised cost	295,545	295,545
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Class 1 - Unlisted shares	33,107	32,498
The shares were valued using quoted market prices.		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Class 1 - Unlisted shares	33,107	32,498

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17. Non-current receivables (continued)		
Financial assets at amortised cost		
Financial assets at amortised cost past due but not impaired		
Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, none of the non-current receivables were past due but not impaired.		
Financial assets at amortised cost impaired		
As of 30 June 2016, other non-current receivables of R 65,492,836 (2015: R 65,576,584) were impaired and provided for.		
The amount of the provision was R 65,492,836 as of 30 June 2016 (2015: R 65,576,584).		
The ageing of these loans is as follows.		
Over 3 months	65,492,836	65,576,584
Reconciliation of provision for impairment of financial assets at amortised cost		
Impairment of Erven loans		
Opening balance	8,735,906	9,010,111
Unused amounts reversed	(142,765)	(274,205)
	8,593,141	8,735,906
Impairment of Housing selling scheme loans		
Opening balance	47,468,253	47,723,462
Provision for impairment	783,547	-
Unused amounts reversed	(496,286)	(255,209)
	47,755,514	47,468,253
Impairment of Cricket stadium		
Opening balance	9,372,425	9,466,383
Provision for impairment	(228,227)	-
Unused amounts reversed	-	(93,958)
	9,144,198	9,372,425

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on the non-current receivables.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

None of the non-current receivables were pledged as security for any financial liability.

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18. Deferred tax		
Deferred tax liability		
Opening balance	(391,523,240)	-
Property, plant and equipment	(55,294,395)	(391,380,636)
Taxable temporary differences	(16,103,430)	-
Prepaid expenses	(8,749)	(142,604)
Total deferred tax liability	(462,929,814)	(391,523,240)
Deferred tax asset		
Opening balance	8,036,308	-
Taxable temporary differences	-	8,036,308
Tax losses available for set off against future taxable income	135,855,139	60,161,194
Total deferred tax asset	143,891,447	68,197,502
Deferred tax liability	(462,929,814)	(391,523,240)
Deferred tax asset	143,891,447	68,197,502
Total net deferred tax liability	(319,038,367)	(323,325,738)
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	(323,325,738)	-
Depreciable assets	(55,294,415)	(391,380,636)
Finance leases	(5,098)	2,116
Operating leases	(84,732)	112,143
Provisions	(16,013,599)	7,922,049
Prepaid expenses	(8,748)	(142,604)
Assessed loss	75,693,964	60,161,194
	(319,038,366)	(323,325,738)

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

The deferred tax asset arose as a result of the municipal entity not having been subject to income tax in the past. However in the 2014/15 financial year the municipal entity had to account for income tax which resulted in the wear and tear allowances being in excess of the available surplus. The municipal entity has the ability to generate profit in the foreseeable future against which temporary differences will be utilised.

Deferred tax assumptions

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18. Deferred tax (continued)

As at 30 June 2016 no guidance was received from SARS on the transition from a tax exempt entity to a taxable entity. Due to this, uncertainties in the calculation of the municipal entity's taxation exist and will continue to exist going forward until a pronouncement is made by SARS on the municipal entity's tax calculation. In the absence of a pronouncement from SARS and the fact that the municipal entity is no longer tax exempt, the municipal entity had to make certain key assumptions relating to income- and deferred tax to be able to account for tax. These assumptions are set out as follows:

Infrastructure assets

The base cost for the electrical infrastructure assets of the municipal entity was determined by using the audited infrastructure fixed asset register. The tax exemption for the municipal entity was no longer applicable as at the 1 July 2014, on this date the municipal entity embarked on an exercise to determine the base cost for each of the Infrastructure assets. The closing balance for the 2013/2014 financial year was deemed as the most accurate value to be used as the base cost and carrying values for tax purposes moving forward. Up until 1 July 2014 management had never claimed any wear & tear on infrastructure assets. The base cost was therefore the deemed cost as at 1 July 2014.

Infrastructure assets of the municipal entity are all carried on the revaluation model as per General Recognised Accounting Standards 17 - Property plant and equipment. There is no General Recognised Accounting Standards standard applicable to taxation, therefore the municipal entity referred to the international accounting standards (IAS) for further guidance, which is IAS 12: Income taxation. Through inspection of the income tax action and the practice notes it was noted that there was no clear guidance regarding the write off periods for electrical infrastructure assets. Due to this Section 12D of the income tax action was deemed as the best alternative to use to determine the write off periods for most of the electrical infrastructure assets. Section 12D was applied to the following electrical infrastructure assets: High Voltage conductors, Medium Voltage conductors, Low Voltage conductors and the Streetlights. All other categories of infrastructure assets could operate independent of transmission lines and Section 12D would not be applicable to these assets.

As per the Income Tax Act, 1962 (Act 58 of 1962) the kind of information that could be useful in determining the expected useful life of an asset/write off period include:

- Independent engineering information;
- The taxpayer's own past experience with similar assets;

Based on the above and due to insufficient guidance in the Income Tax Act, 1962 (Act 58 of 1962) the option of best professional judgement in determining an accurate write off period for the Infrastructure assets was used as follows:

- For all the distribution lines and cables a 5% write off period was used
- For all other infrastructure assets a 5 year write off period was adopted as the assets have been in operation for some time and as per the engineering information they cannot fall within Section 12D of the Income Tax Act, 1962 (Act 58 of 1962) .

Section 12 of the Income Tax Act, 1962 (Act 58 of 1962) was applied therefore no apportionment of the wear and tear was done. The wear and tear of assets is the amount that the South African Receiver of Revenue considers an appropriate write off timeframe for each asset. The wear and tear was calculated as follows:

- The depreciated replacement cost was taken per asset and any addition for the year was added and this value was multiplied by 20%.
- When an asset is disposed of during the financial year wear and tear is still calculated for that asset and an inspection for a possible recoupment is done.

Non-Infrastructure assets

All assets other than infrastructure assets were written off by making use of Practice note 19.

Debt impairment

The provision for debt impairment is limited as a tax deduction to the extent that the originating revenue was taxable. Since the municipal entity was tax exempt for a period the revenue recognised and subsequently impaired during this period could not fully be included as a tax deduction. Due to this only the movement in the debt impairment for the year when the municipal entity first became taxable was used in calculating the tax.

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19. Payables from exchange transactions		
Accrued bonus	26,832,614	24,842,890
Accrued leave pay	114,095,774	99,620,907
Claims - unfair dismissals	4,879,817	6,608,171
Deferred lease expenditure	1,711,549	2,612,165
Deferred revenue	10,882,310	9,195,258
Electricity connections	6,887,585	6,236,798
Mantsopa Local Municipality	8,333,222	3,704,549
Operating expense accrual	10,361,972	9,799,595
Other payables	52,410,259	1,241,288
Other payables - grants	8,166,928	8,204,077
Payments received in advanced	85,401,686	79,086,404
Retentions	135,884,853	88,816,192
Salaries payable	1,845,965	2,705,134
Trade payables	844,894,987	488,824,613
Unallocated deposits received	6,116,487	6,093,311
	1,318,706,007	837,591,352

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 139 days (2015: 52 days).

The terms were not renegotiated before the financial statements were authorised for issue.

20. Payables from non-exchange transactions

Deposits	620,390	558,047
Other	1,342,476	1,342,476
Payments received in advance	284,236,541	277,514,037
	286,199,407	279,414,560

21. Consumer deposits

Electricity	127,743,335	70,796,810
Water	33,728,408	30,872,092
	161,471,743	101,668,902

Guarantees in lieu of consumer deposits for water amounted to R 2,018,667 (2015: R 2,063,152)

Guarantees in lieu of consumer deposits for electricity amounted to R 11,368,891 (2015: R 15,549,583)

Fair value hierarchy

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities.

Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Fair values of financial liabilities measured or disclosed at fair value

Level 1

Water	33,728,408	30,872,092
Electricity	127,743,335	70,796,810
	161,471,743	101,668,902

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22. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
City of Ghent - Youth development grant	825,516	550,146
Department Telecom and Postal Services	5,292,842	-
Expanded Public Works Programme Incentive Grant	-	38,641
Integrated City Development Grant	96,234	-
Municipal Accreditation Project Funding - Housing Grant	1,312,966	3,628,261
Municipal Human Settlement Capacity Grant	2,784,685	-
Neighbourhood Development Grant	32,240,277	-
Public Transport Infrastructure and Network Systems Grant	-	21,133,200
Sports, Arts and Culture - Admin Libraries	3,291,174	2,000,000
Sustainable Human Settlement Grant	1,595,782	2,598,026
Urban Settlement Development Grant	58,643,843	77,535,555
	106,083,319	107,483,829

The amounts will be recognised as revenue when conditions have been met.

Refer to note 41 for reconciliation of grants from National/Provincial Government.

23. Operating lease liability

Non-current liabilities	-	96,338
Current liabilities	97,893	304,171
	97,893	400,509

The municipal entity leases a building situated in Botshabelo from the Free State Development Corporation (FDC) for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until the year 2016. The lease rental is escalated annually on 1 December by 10%. The straight lined amount was calculated as R30 062 per month.

The municipal entity leases a building situated in Bloemfontein from Telkom SA (SOC) Ltd for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%.

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24. Finance lease obligation		
Finance lease obligation	65,153,319	110,338,389
Minimum lease payments due		
- within one year	52,257,921	49,488,799
- in second to fifth year inclusive	25,622,885	73,229,763
	77,880,806	122,718,562
less: future finance charges	(12,727,487)	(12,380,174)
Present value of minimum lease payments	65,153,319	110,338,388
Present value of minimum lease payments due		
- within one year	44,968,869	41,538,934
- in second to fifth year inclusive	20,184,450	68,799,454
	65,153,319	110,338,388
Non-current liabilities	20,184,450	68,799,455
Current liabilities	44,968,869	41,538,934
	65,153,319	110,338,389

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 14.

25. Borrowings

At amortised cost

DBSA Bloemfontein - Sewer 8001/104	-	734,557
DBSA Bloemfontein - Water 8001/104	-	658,552
DBSA - FS1034/01	134,296,964	138,000,746
DBSA - FS1034/02	40,510,298	42,555,911
DBSA - 6100 7294	309,292,276	127,000,000
Standard Bank - Loan 33714314	289,958,385	283,235,810

Total other financial liabilities

774,057,923 **592,185,576**

These loans are from The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 January 2027 and the loans bear interest between 6% and 14%.

Non-current liabilities

At amortised cost	673,092,550	557,182,589
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Current liabilities

At amortised cost	100,965,373	35,002,987
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25. Borrowings (continued)

Defaults and breaches

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements. The default was due to technical difficulties encountered while the entity was implementing the transfer to the new financial system.

All the defaults on the above borrowings were remedied through payment of the accrued capital and interest amounts on the 7th and 11th July 2016 respectively. There were no renegotiations of the borrowing required.

Loan	Carrying amount at 30 June 2016	Default principal amount	Default interest
DBSA - FS1034/01	134,296,964	515,978	1,378,808
DBSA - FS1034/02	40,510,298	218,835	223,424
DBSA - 6100 7294	309,292,275	12,128,245	12,803,450
Standard Bank 33714314	289,958,385	9,685,604	14,986,997
	774,057,922	22,548,662	29,392,679

26. Provisions

Rehabilitation of landfill sites	203,710,648	143,407,853
Rehabilitation of quarry sites	317,377,880	345,753,994
	521,088,528	489,161,847

Reconciliation of provisions - 2016

	Opening Balance	Re-assessment	Change in discount factor	Total
Rehabilitation of landfill sites	143,407,853	57,759,530	2,543,265	203,710,648
Rehabilitation of quarry sites	345,753,994	(34,559,175)	6,183,061	317,377,880
	489,161,847	23,200,355	8,726,326	521,088,528

Reconciliation of provisions - 2015

	Opening Balance	Re-assessment	Change in discount factor	Total
Rehabilitation of landfill sites	78,473,170	57,772,777	7,161,906	143,407,853
Rehabilitation of quarry sites	357,691,190	(17,765,029)	5,827,833	345,753,994
	436,164,360	40,007,748	12,989,739	489,161,847

Non-current liabilities	178,043,634	294,353,503
Current liabilities	343,044,894	194,808,344
	521,088,528	489,161,847

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 13.491% (2015: 4.789%) for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2117
Northern Landfill Site	2038
Southern Landfill Site	2021

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

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26. Provisions (continued)

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 13.491% (2015: 4.789%) for the circumstances of the entity.

Quarries consists of:	Restoration date:
<u>Bloemfontein</u>	
Cecelia	2018
Sunnyside	2018
Kgotsong	2016
Ipopeng	2016
Chris Hani	2016
Caleb Motsoabi	2016
N1	2016
<u>Botshabelo</u>	
K-Section	2016
F1-Section	2016
F2.1-Section	2016
F2.2-Section	2016
W-Section	2016
S-Section	2016
B-Section	2016
<u>Thaba Nchu</u>	
Seroala	2016
Thubisi	2016
Putsane	2016
Merino	2016
Rhakoi	2016
Sediba	2016
Rooibult	2016
Kgalala	2016
Baraclava 1	2016
Baraclava	2016
Bultfontein 3	2016
Modutung	2016
Talla	2016
Nogas Pst	2016

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

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27. Employee benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the FS Joint Municipal Pension Fund or FS Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	730,560,000	646,465,000
Non-current liabilities	729,754,000	645,493,000
Current liabilities	806,000	972,000
	730,560,000	646,465,000

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27. Employee benefit obligations (continued)

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

Opening balance	646,465,000	560,245,000
Current service cost	37,060,000	31,018,000
Past service cost	-	24,045,000
Interest cost	60,753,000	53,215,000
Actuarial (gains) losses	2,320,822	(3,116,051)
Benefits paid	(16,038,822)	(18,941,949)
	730,560,000	646,465,000

2012

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest cost	555,000	35,100,000	4,744,000	40,399,000
Current service cost	61,000	14,242,000	4,518,000	18,821,000
Benefits paid / (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (gains) / losses	(1,769,000)	(146,180,000)	5,286,000	(142,663,000)
	5,194,000	280,551,000	59,061,000	344,806,000

2013

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2012	5,194,000	280,551,000	59,061,000	344,806,000
Interest cost	407,000	25,797,000	4,648,000	30,852,000
Current service cost	47,000	12,922,000	5,767,000	18,736,000
Benefits paid / (expected)	(452,000)	(6,912,000)	(7,509,676)	(14,873,676)
Actuarial (gains) / losses	797,000	60,044,000	15,517,676	76,358,676
	5,993,000	372,402,000	77,484,000	455,879,000

2014

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	77,484,000	455,879,000
Interest cost	453,000	34,729,000	5,811,000	40,993,000
Current service cost	43,000	17,517,000	8,173,000	25,733,000
Benefits paid / (expected)	(381,000)	(7,566,000)	(10,552,179)	(18,499,179)
Actuarial (gains) / losses	(943,000)	54,590,000	2,492,179	56,139,179
	5,165,000	471,672,000	83,408,000	560,245,000

2015

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2014	5,165,000	471,672,000	83,408,000	560,245,000
Interest cost	426,000	45,955,000	6,834,000	53,215,000
Current service cost	49,000	22,228,000	8,741,000	31,018,000
Past service costs	-	24,045,000	-	24,045,000
Benefits paid / (expected)	(354,000)	(8,357,000)	(10,230,949)	(18,941,949)
Actuarial (gains) / losses	(352,000)	1,635,000	(4,399,051)	(3,116,051)
	4,934,000	557,178,000	84,353,000	646,465,000

2016

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	84,353,000	646,465,000
Interest cost	405,000	53,241,000	7,107,000	60,753,000
Current service cost	47,000	27,719,000	9,294,000	37,060,000
Benefits paid / (expected)	(322,000)	(9,138,000)	(6,578,822)	(16,038,822)
Actuarial (gains) / losses	(247,000)	(2,563,000)	5,130,822	2,320,822
	4,817,000	626,437,000	99,306,000	730,560,000

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Figures in Rand	2016			2015
27. Employee benefit obligations (continued)				
Estimated future contributions	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2016	4,817,000	626,435,000	92,417,000	723,669,000
Interest cost	419,000	62,284,000	7,912,000	70,615,000
Current service cost	50,000	33,203,000	9,199,000	42,452,000
Benefits paid / (expected)	(341,000)	(9,046,000)	(11,731,000)	(21,118,000)
	4,945,000	712,876,000	97,797,000	815,618,000

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Pension fund	9.00 %	8.50 %
Discount rate - Medical aid	9.75 %	9.40 %
Discount rate - Long service award	8.65 %	8.40 %
Expected increase in healthcare costs	9.26 %	8.90 %
Salary inflation rate - Pension fund	8.65 %	8.25 %
Salary inflation rate - Long service award	8.35 %	8.10 %
Expected pension increases	6.65 %	6.25 %
Inflation rate - Pension fund	6.65 %	6.25 %
Inflation rate - Medical aid	7.26 %	6.90 %
Inflation rate - Long service awards	6.35 %	6.10 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

Government bond yields were used when setting the best-estimate discount rate assumption for health care cost.

The estimated discount rate health care cost was set equal to the yield on the BESA zero-coupon yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(794,451,000)	(521,682,000)
Effect on the aggregate of the service cost	(41,991,000)	(26,155,000)
Effect on the aggregate of the interest cost	(74,671,000)	(51,681,000)

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	730,560,000	646,465,000	560,245,000	455,879,000	344,806,000
Experience adjustments on plan liabilities	1,039,000	6,659,000	(16,647,000)	(33,624,000)	(8,418,000)

28. FRESHCO liability

FRESHCO non-current liability	214,558,041	193,357,936
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The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 37 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

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29. Land availability liability		
Land availability non-current liability	186,119,361	31,575,456
<p>The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.</p> <p>In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.</p> <p>The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.</p> <p>The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.</p> <p>The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.</p> <p>The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.</p> <p>The buildings retained by the entity shall be capitalised throughout the development process.</p>		
30. Revaluation reserve		
Opening balance	1,984,560,395	951,129,369
Revaluation of assets	17,260,688	1,452,032,434
Impairment losses on revalued capital assets	(17,794,678)	-
Realisation of the revaluation reserve	(22,095,838)	(12,032,305)
Deferred tax	-	(406,569,103)
	1,961,930,567	1,984,560,395
31. Other NDR		
Non-distributable reserve	60,000,000	60,000,000
<p>In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R60,000,000 is to be held as a non-distributable reserve.</p>		
32. Self insurance reserve		
Opening balance	5,000,000	5,000,000
Contributions received	180,770	264,447
Insurance claims processed	(180,770)	(264,447)
	5,000,000	5,000,000
33. COID reserve		
Opening balance	10,628,620	8,934,694
Contributions received	3,393,230	3,132,625
Insurance claims processed	(1,509,970)	(1,438,699)
	12,511,880	10,628,620

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34. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	33,107	2,995,301	3,028,408
Other receivables from non-exchange transactions	-	4,454,092	4,454,092
Other receivables from exchange transactions	-	96,266,927	96,266,927
Consumer receivables from non-exchange transactions	-	262,419,381	262,419,381
Consumer receivables from exchange transactions	-	804,890,677	804,890,677
Cash and cash equivalents	-	325,546,328	325,546,328
Investments	-	107,818,543	107,818,543
	33,107	1,604,391,249	1,604,424,356

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	774,057,923	774,057,923
Payables from exchange transactions	-	1,177,777,620	1,177,777,620
Payables from non-exchange transactions	-	286,199,407	286,199,407
Finance lease obligation	-	65,153,319	65,153,319
Consumer deposits	161,471,743	-	161,471,743
Operating lease liability	-	97,893	97,893
	161,471,743	2,303,286,162	2,464,757,905

2015

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	32,498	4,954,298	4,986,796
Other receivables from non-exchange transactions	-	810,045	810,045
Other receivables from exchange transactions	-	88,135,211	88,135,211
Consumer receivables from exchange transactions	-	632,952,917	632,952,917
Consumer receivables from non-exchange transactions	-	303,378,328	303,378,328
Cash and cash equivalents	-	312,783,583	312,783,583
Investments	-	362,715,433	362,715,433
	32,498	1,705,729,815	1,705,762,313

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	592,185,575	592,185,575
Payables from exchange transactions	-	713,127,555	713,127,555
Payables from non-exchange transactions	-	279,414,560	279,414,560
Finance lease obligation	-	110,338,389	110,338,389
Consumer deposits	101,668,902	-	101,668,902
Operating lease liability	-	400,509	400,509
	101,668,902	1,695,466,588	1,797,135,490

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Figures in Rand	2016	2015
35. Revenue		
Service charges	2,891,918,204	2,717,576,105
Agency services	4,788,455	4,750,908
Interest received	220,587,550	237,073,638
Licences and permits	656,529	170,677
Rental of facilities and equipment	33,243,326	28,370,601
Other income from exchange transactions	77,612,549	57,090,659
Property rates	810,476,472	787,453,693
Fines	51,082,513	77,671,023
Government grants & subsidies	1,710,171,686	1,608,312,776
Other income from non-exchange transactions	47,486,438	24,945,123
	5,848,023,722	5,543,415,203
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2,891,918,204	2,717,576,105
Agency services	4,788,455	4,750,908
Interest received - investment	220,587,550	237,073,638
Licences and permits	656,529	170,677
Rental of facilities and equipment	33,243,326	28,370,601
Other income from exchange transactions	77,612,549	57,090,659
	3,228,806,613	3,045,032,588
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	810,476,472	787,453,693
Transfer revenue		
Government grants & subsidies	1,710,171,686	1,608,312,776
Fines	51,082,513	77,671,023
Other income from non-exchange transactions	47,486,438	24,945,123
	2,619,217,109	2,498,382,615
36. Service charges		
Sale of electricity	1,964,403,914	1,798,046,182
Sale of water	622,627,224	645,647,884
Sewerage and sanitation charges	220,157,852	196,311,702
Refuse removal	84,729,214	77,570,337
	2,891,918,204	2,717,576,105
37. Rental of facilities and equipment		
Premises		
Venue hire	1,190,983	1,118,800
Facilities and equipment		
Rental of facilities	31,487,109	26,683,159
Rental of equipment	565,234	568,642
	32,052,343	27,251,801
	33,243,326	28,370,601

Mangaung Metropolitan Municipality

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Figures in Rand	2016	2015
38. Other income from exchange transactions		
Advertising	1,271,056	1,163,857
Analysis of industrial effluent	2,580,717	1,461,591
Building plan fees	3,782,363	3,557,783
Clearance certificates	2,058,736	2,371,089
Commission - Fresh Produce Market	19,254,934	17,371,615
Connection and re-connection of water	6,129,381	4,913,946
Credit control fees	2,352,052	1,166,771
Entrance fees	1,549,304	1,303,237
Grave plots	3,042,842	2,789,833
Insurance collection	2,864,572	2,595,227
Parking fees	1,154,287	1,352,821
Removal fees	1,108,306	545,495
Sale of erven	11,514,818	5,441,315
Sale of redundant material	9,611	3,507
Sundry services rendered	9,000	122,126
Sale of tender documents	2,696,193	2,979,225
Street lighting	24,803	36,692
Training income	3,744,077	4,037,980
Sundry income	12,465,497	3,876,549
	77,612,549	57,090,659
39. Interest received		
Interest revenue		
Cash and cash equivalents	14,279,064	22,546,158
Interest charged on long term receivables	1,441,415	1,728,644
Interest charged on trade and other receivables	173,759,040	178,899,691
Interest on investments	31,108,031	33,899,145
	220,587,550	237,073,638

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40. Property rates

Rates levied

Residential and business/commercial	648,867,605	544,924,819
Government	161,608,867	242,528,874
	810,476,472	787,453,693

Valuations

Residential	62,580,729,147	78,057,664,404
Business/Commercial	17,862,389,465	21,226,868,426
Government	8,716,257,170	10,116,646,160
Municipal	5,122,902,685	4,760,661,886
	94,282,278,467	114,161,840,876

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 70,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2016:

From 1 July 2015 the basic rates were adjusted as follows:

- R0.001533 on the value of rateable farm property
- R0.006131 on the value of rateable residential property
- R0.025205 on the value of rateable government property
- R0.025205 on the value of rateable business/commercial property

2015:

From 1 July 2014 the basic rates were adjusted as follows:

- R0.001446 on the value of rateable farm property
- R0.005784 on the value of rateable residential property
- R0.025005 on the value of rateable government property
- R0.025005 on the value of rateable business/commercial property

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
41. Government grants and subsidies		
Operating grants		
Equitable Share	596,652,000	603,580,999
Fuel Levy	260,928,000	256,663,000
City of Ghent - Youth Development Grant	300,965	1,453,935
Department of Water Affairs	-	3,057,723
Electricity Demand Side Management Grant	-	7,490,000
Financial Management Grant	1,300,000	1,500,000
Lotto Grant	-	4,912,281
Municipal Accreditation Project Funding - Housing Grant	2,315,295	-
Municipal Human Settlement Capacity Grant	6,421,315	-
National Electrification Programme Grant	30,000,000	30,200,000
National Sports and Recreation Grant	-	500,000
Neighbourhood Development Grant	21,535,723	5,000,000
Sports, Arts & Culture - Admin libraries	708,826	-
Sports, Arts & Culture - Sport	-	4,000,000
	920,162,124	918,357,938
Capital grants		
DWAF - Water Conservation Grant	-	942,277
Expanded Public Works Programme Incentive Grant	3,135,641	2,392,359
Integrated City Development Grant	10,060,766	5,596,000
Public Transport Infrastructure and Network Systems Grant	63,072,200	8,866,800
Sustainable Human Settlement Grant	1,002,243	24,560,384
Urban Settlement Development Grant	712,738,712	647,597,018
	790,009,562	689,954,838
	1,710,171,686	1,608,312,776
Equitable Share		
Current year receipts	596,652,000	603,581,000
Conditions met - transferred to revenue	(596,652,000)	(603,581,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Fuel Levy		
Current-year receipts	260,928,000	256,663,000
Conditions met - transferred to revenue	(260,928,000)	(256,663,000)
	-	-
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
City of Ghent - Youth Development Grant		
Balance unspent at beginning of year	550,146	1,453,936
Current-year receipts	576,335	550,146
Conditions met - transferred to revenue	(300,965)	(1,453,936)
	825,516	550,146
Conditions still to be met - remain liabilities (see note 22).		
The grant is given by the City of Ghent for youth development.		

Mangaung Metropolitan Municipality

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Figures in Rand	2016	2015
41. Government grants and subsidies (continued)		
Department of Water Affairs		
Current-year receipts	-	3,057,723
Conditions met - transferred to revenue	-	(3,057,723)
	-	-
The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer these schemes to local government.		
Electricity Demand Side Management Grant		
Current-year receipts	-	7,490,000
Conditions met - transferred to revenue	-	(7,490,000)
	-	-
The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
Financial Management Grant		
Current-year receipts	1,300,000	1,500,000
Conditions met - transferred to revenue	(1,300,000)	(1,500,000)
	-	-
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		
Lotto Grant		
Current-year receipts	-	4,912,281
Conditions met - transferred to revenue	-	(4,912,281)
	-	-
This grant is to be used for the activation of an Arts and Culture programme at the Civic Theatre.		
Municipal Accreditation Project Funding - Housing Grant		
Balance unspent at beginning of year	3,628,261	3,628,261
Conditions met - transferred to revenue	(2,315,295)	-
	1,312,966	3,628,261
Conditions still to be met - remain liabilities (see note 22).		
The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.		
Municipal Human Settlement Capacity Grant		
Current-year receipts	9,206,000	-
Conditions met - transferred to revenue	(6,421,315)	-
	2,784,685	-
Conditions still to be met - remain liabilities (see note 22).		
To build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.		

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
41. Government grants and subsidies (continued)		
National Electrification Programme Grant		
Current-year receipts	30,000,000	30,200,000
Conditions met - transferred to revenue	(30,000,000)	(30,200,000)
	-	-
The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure.		
National Sports and Recreation Grant		
Current-year receipts	-	500,000
Conditions met - transferred to revenue	-	(500,000)
	-	-
The grant is used to assist host cities with the operational responsibilities associated with the hosting of sports events.		
Neighbourhood Development Grant		
Current-year receipts	53,776,000	5,000,000
Conditions met - transferred to revenue	(21,535,723)	(5,000,000)
	32,240,277	-
Conditions still to be met - remain liabilities (see note 22).		
This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.		
Sports, Arts & Culture - Admin libraries		
Balance unspent at beginning of year	2,000,000	-
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(708,826)	-
	3,291,174	2,000,000
Conditions still to be met - remain liabilities (see note 22).		
The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.		
Sports, Arts & Culture - Sport		
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
	-	-
The purpose of the grant was to assist the City in hosting the Mangaung International Beach Volleyball Tournament in December 2014.		
DWAF - Water Conservation Grant		
Current-year receipts	-	942,277
Conditions met - transferred to revenue	-	(942,277)
	-	-

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment work and resource development.

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
41. Government grants and subsidies (continued)		
Expanded Public Works Programme Incentive grant		
Balance unspent at beginning of year	38,641	138,463
Current-year receipts	3,097,000	2,431,000
Conditions met - transferred to revenue	(3,135,641)	(2,392,359)
Surrendered to National Treasury	-	(138,463)
	-	38,641

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

Integrated City Development Grant

Current-year receipts	10,157,000	5,596,000
Conditions met - transferred to revenue	(10,060,766)	(5,596,000)
	96,234	-

Conditions still to be met - remain liabilities (see note 22).

To provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focussing their use of available infrastructure investment and regulatory instruments.

Public Transport Infrastructure and Network Systems Grant

Balance unspent at beginning of year	21,133,200	597,471
Current-year receipts	48,128,000	30,000,000
Conditions met - transferred to revenue	(63,072,200)	(8,866,800)
Surrendered to National Treasury	(6,189,000)	(597,471)
	-	21,133,200

Conditions still to be met - remain liabilities (see note 22).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

Sustainable Human Settlement Grant

Balance unspent at beginning of year	2,598,026	27,158,410
Other	(1,002,244)	(24,560,384)
	1,595,782	2,598,026

Conditions still to be met - remain liabilities (see note 22).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Urban Settlement Development Grant

Balance unspent at beginning of year	77,535,555	70,726,573
Current-year receipts	693,847,000	654,406,000
Conditions met - transferred to revenue	(712,738,712)	(647,597,018)
	58,643,843	77,535,555

Conditions still to be met - remain liabilities (see note 22).

Supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand 2016 2015

41. Government grants and subsidies (continued)

Department Telecom and Postal Services

Current-year receipts	5,292,842	-
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Conditions still to be met - remain liabilities (see note 22).

To develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 3 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

42. Other income from non-exchange transactions

Penalties	-	1,562,435
Public contributions and asset gains	43,922,792	22,595,611
Unclaimed deposits and stale cheques	3,563,646	787,077
	47,486,438	24,945,123

43. Employee related costs

Salaries and wages	890,137,299	774,464,588
Contributions to medical aid	75,143,027	61,911,547
Contributions to pension funds	132,614,774	117,056,185
Contributions to UIF	7,138,133	6,398,973
Defined benefit plan - current service costs	36,257,000	30,395,000
Defined benefit plan - past service costs	-	24,045,000
Housing benefits and allowances	11,430,213	3,002,268
Overtime payments	151,400,398	130,423,568
Staff bonus - 13th cheque accrual	1,059,822	2,248,717
Staff leave pay provision	23,226,566	27,489,246
Travel, motor car, accommodation, subsistence and other allowances	92,004,251	82,948,275
Long-service awards	3,114,822	1,011,949
	1,423,526,305	1,261,395,316

Remuneration of Accounting Officer

Annual Remuneration	1,840,731	2,088,238
Car and Other Allowances	178,515	338,253
Contributions to UIF, Medical and Pension Funds	51,826	68,798
	2,071,072	2,495,289

The accounting officer was placed on suspension with full pay and benefits from 15 December 2015 to 29 February 2016. The accounting officer resigned as of 29 February 2016.

Remuneration of Acting Accounting Officer

Annual Remuneration	945,537	-
Car and Other Allowances	107,250	-
Contributions to UIF, Medical and Pension Funds	89,570	-
	1,142,357	-

This position had an official acting in it from 15 December 2015.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand 2016 2015

43. Employee related costs (continued)

Remuneration of the Chief Financial Officer

Annual Remuneration	1,576,052	1,430,020
Car and Other Allowances	481,620	525,655
Contributions to UIF, Medical and Pension Funds	60,413	60,492
	2,118,085	2,016,167

Remuneration of Executive Director - Corporate Services

Annual Remuneration	1,453,561	1,022,951
Car and Other Allowances	474,365	321,531
Contributions to UIF, Medical and Pension Funds	242,374	62,738
	2,170,300	1,407,220

The position was filled from September 2014.

Remuneration of Acting Executive Director - Corporate Services

Annual Remuneration	-	109,727
Car and Other Allowances	-	28,746
Contributions to UIF, Medical and Pension Funds	-	28,840
	-	167,313

The position had an official acting for the period July and August 2014.

Remuneration of Executive Director - Social Services

Annual Remuneration	1,486,675	1,357,537
Car and Other Allowances	252,925	304,383
Contributions to UIF, Medical and Pension Funds	307,380	289,323
	2,046,980	1,951,243

Remuneration of Acting Executive Director - Planning

Annual Remuneration	838,808	-
Car and Other Allowances	115,678	-
Contributions to UIF, Medical and Pension Funds	140,610	-
	1,095,096	-

The position had an official acting from 27 October 2015.

Remuneration of Executive Director - Economic Development & Planning

Annual Remuneration	-	1,127,900
Car and Other Allowances	-	216,000
Contributions to UIF, Medical and Pension Funds	-	14,980
	-	1,358,880

The position was filled from July 2014 to April 2015.

Remuneration of Executive Director - Human Settlements and Housing

Annual Remuneration	1,511,705	1,392,049
Car and Other Allowances	199,200	218,510
Contributions to UIF, Medical and Pension Funds	386,090	361,837
	2,096,995	1,972,396

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Figures in Rand

	2016	2015
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43. Employee related costs (continued)

Remuneration of Executive Director - Engineering Services

Annual Remuneration	1,557,597	1,424,128
Car and Other Allowances	439,200	494,577
Contributions to UIF, Medical and Pension Funds	59,619	38,765
	2,056,416	1,957,470

Remuneration of Acting Executive Director - Waste and Fleet Management

Annual Remuneration	131,015	-
Car and Other Allowances	6,000	-
Contributions to UIF, Medical and Pension Funds	1,516	-
	138,531	-

The position had an official acting from 1 June 2016.

Remuneration of Executive Director - Strategic Projects and Service Delivery (Acting Executive Director: Planning)

Annual Remuneration	1,759,640	1,556,297
Car and Other Allowances	199,200	334,805
Contributions to UIF, Medical and Pension Funds	64,720	61,962
	2,023,560	1,953,064

The position had an acting official from 1 May 2015.

Remuneration of Acting Executive Director - Strategic Projects and Service Delivery

Annual Remuneration	283,059	-
Car and Other Allowances	91,848	-
Contributions to UIF, Medical and Pension Funds	54,236	-
	429,143	-

This position had an acting official from 1 July 2015 to 31 October 2015.

44. Remuneration of councillors

Councillors allowance	34,360,568	32,313,866
Councillors pension contributions	3,430,259	3,187,129
Medical aid contributions	499,796	478,408
Travel allowance	11,556,077	11,038,175
Cell phone allowance	2,432,467	2,434,213
Housing allowance	142,492	142,492
	52,421,659	49,594,283

In-kind benefits:

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of Council owned vehicles for official duties.

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Figures in Rand	2016	2015
Executive Mayor		
Councillors allowance	798,937	757,114
Councillors pension contributions	115,590	108,836
Medical aid contributions	17,280	17,280
Travel allowance	310,602	294,410
Cell phone allowance	45,420	45,420
	1,287,829	1,223,060
Deputy Executive Mayor		
Councillors allowance	589,066	609,195
Councillors pension contributions	84,927	86,837
Medical aid contributions	15,840	17,280
Travel allowance	229,944	237,771
Cell phone allowance	41,635	45,420
	961,412	996,503
The late deputy executive mayor received her salary until 31 May 2016.		
Speaker		
Councillors allowance	947,867	858,172
Medical aid contributions	17,280	17,280
Travel allowance	-	37,385
Cell phone allowance	45,420	45,420
Housing allowance	38,246	38,246
	1,048,813	996,503
Chief Whip		
Councillors allowance	616,285	585,207
Councillors pension contributions	89,225	83,523
Travel allowance	235,170	222,910
Cell phone allowance	24,468	24,468
	965,148	916,108
Mayoral committee members		
Councillors allowance	5,114,481	4,891,346
Councillors pension contributions	738,838	643,816
Medical aid contributions	133,189	119,520
Travel allowance	2,018,777	1,940,999
Cell phone allowance	210,017	214,095
Housing allowance	80,246	80,246
	8,295,548	7,890,022
Part-time Councillors		
Councillors allowance	26,293,932	24,612,831
Councillors pension contributions	2,401,680	2,264,118
Medical aid contributions	316,207	307,048
Travel allowance	8,761,583	8,304,700
Cell phone allowance	2,065,507	2,059,390
Housing allowance	24,000	24,000
	39,862,909	37,572,087

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Figures in Rand	2016	2015
45. Depreciation and amortisation		
Property, plant and equipment	678,894,482	642,698,613
Intangible assets	14,224,864	10,687,902
	693,119,346	653,386,515
46. Impairment of assets		
Impairments		
Property, plant and equipment	4,050,530	6,349,283
The recoverable amount of the asset was assessed at the end of the 2014/15 financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.		
Inventories	1,749,938	139,813
An assessment of the net realisable value against cost was performed and inventory was written down.		
	5,800,468	6,489,096
47. Finance costs		
Finance leases	9,125,933	12,176,532
Non-current borrowings	71,172,617	31,668,068
Trade and other payables	7,774	4,368
Defined benefit obligation	60,374,000	52,964,000
	140,680,324	96,812,968
48. Debt impairment		
Debt impairment	394,970,009	607,335,202
49. Bulk purchases		
Electricity	1,339,120,718	1,183,803,965
Water	419,812,317	430,764,023
	1,758,933,035	1,614,567,988
50. Contracted services		
Audit fees	22,562,976	22,358,971
Consultant fees	69,593,650	51,300,427
Contractors fees	9,924,764	7,887,167
Debt collection fees	41,051,267	49,846,093
ICT Strategy system integration	-	3,462,158
IPTN	90,732,485	-
Integrated call centre	9,920,692	9,620,061
Internal audit fees	3,862,925	4,845,150
Investigations	1,493,929	-
Meter reading services	42,723,469	31,737,748
Meter replacement	12,846,872	8,318,616
Refuse removal	46,441,425	36,982,826
Security services	50,532,929	35,320,601
Other contracted services	92,940,648	68,134,395
	494,628,031	329,814,213

Mangaung Metropolitan Municipality

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51. Grants and subsidies paid

Bursaries paid to employees	1,983,746	1,353,179
Central agricultural society	11,288	10,751
Free electricity services	2,472,722	8,432,753
Miscellaneous grants	271,944	447,762
SPCA	456,678	434,931
	5,196,378	10,679,376

Bursaries paid to employees

Bursaries are paid to employees in accordance with the approved study scheme.

Central Agricultural Society

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

Free electricity services

The free electricity provided by Centlec (SOC) Limited and Eskom is recoverable from the equitable share grant.

Miscellaneous grants

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

National Electrification Programme Grant

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

SPCA - Society for the Prevention of Cruelty to Animals

The subsidy is paid annually to the society to assist them in performing their tasks.

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Figures in Rand	2016	2015
52. General expenses		
Advertising	10,274,324	10,546,222
Animal Costs	3,010,526	3,299,684
Bank charges and commission	8,200,540	7,889,763
Chemicals	5,249,696	4,359,287
Cleaning	856,736	1,879,243
Commission paid	83,217,704	68,656,820
Community development and training	2,216,111	1,900,885
Computer expenses	-	240,545
Conferences and seminars	9,841,261	10,179,065
Consumables	13,219,440	10,601,668
Corporate social investment	3,496,678	3,829,580
Discount allowed	1,808,835	2,583,966
Electricity	2,810,070	3,267,186
Entertainment	577,280	294,758
Fines and penalties	454,160	89,398
Fuel and oil	32,474,908	35,445,724
Hire	4,780,857	4,321,847
IT expenses	-	20,268
Indigent burials	1,680,163	1,894,383
Insurance	38,210,364	32,019,076
Inventory management system	3,562,628	1,324,293
Lease rentals on operating lease	3,474,925	2,695,103
Legal expenses	28,706,767	34,691,291
Marketing	5,838,677	20,682,256
Motor vehicle expenses	15,771,888	14,274,974
Operating lease expenditure	7,758,590	5,770,954
Financial management grant projects	1,680,428	2,940,022
Postage and courier	6,535,353	5,318,004
Printing and stationery	11,625,234	12,341,196
Reconnection test and removal of meters	3,157,378	7,166,977
Refreshments	950,217	1,189,052
Rehabilitation of landfill and quarry sites	6,183,061	22,699,082
Royalties and license fees	9,885,021	11,758,383
Sewerage and waste disposal	-	641,082
Skills development levy	11,270,142	10,595,101
Software expenses	1,941,767	409,455
Special projects and public participation	32,197,351	23,689,867
Staff welfare	914,379	1,598,462
Subscriptions and membership fees	12,030,319	11,147,277
Telephone and fax	21,323,328	14,627,583
Title deed search fees	8,071,311	14,651,077
Tools, plant & equipment	509,555	2,130,338
Tourism development	485,547	2,805,933
Training	17,144,935	30,193,130
Travel and subsistence	2,034,631	1,538,481
Uniforms and protective clothing	3,684,211	3,708,772
Vacuum services	61,754	102,066
Water	656,467	(412,286)
Water research	3,192,602	3,070,234
Sundry expenses	31,087,365	27,438,646
	474,115,484	494,106,173
53. Fair value adjustments		
Investment property (Fair value model)	(138,813,363)	-
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(304,778)	9,683
	(139,118,141)	9,683

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54. Taxation		
Major components of the tax income		
Current		
Local income tax - current period	-	-
Local income tax - recognised in current tax for prior periods	88,673,501	-
	88,673,501	-
Deferred		
Originating and reversing temporary differences	71,406,591	61,254,387
Prior year - (Over) / Under provision	(88,673,501)	(84,336,558)
Assessed loss utilised	60,161,195	-
Assessed loss raised	(135,855,158)	(60,161,194)
	(92,960,873)	(83,243,365)
	(4,287,372)	(83,243,365)
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting (deficit) surplus	(256,059,178)	69,277,423
Tax at the applicable tax rate of 28% (2015: 28%)	(71,696,570)	19,397,678
Tax effect of adjustments on taxable income		
Tax effect of the intercompany transactions*	72,456,242	(15,581,731)
Non-taxable income - Municipal entity	(7,368,421)	(7,417,565)
Prior year under / (over) provision deferred tax	-	(84,336,558)
Non-deductible expenses - Municipal entity	2,321,376	4,694,811
	(4,287,373)	(83,243,365)

*The intercompany transactions has an effect on the tax expense reconciliation due to the different tax statuses between the controlled and the controlling entity. The controlled entity, Centlec (SOC) Limited, is liable for taxation at 28%, while the entity is not liable for tax. The elimination of intercompany transactions therefore has an effect on the reconciliation between the surplus/deficit and the taxable income.

The municipal entity was granted exemption from income tax in terms of Section 10(1)(t)(v)(iii) of the Income Tax Act, (Act 58 of 1962) on the 27 August 2012 which was effective until the year of assessment commencing on or before 1 January 2014.

Management has engaged the South African Revenue Service (SARS) and National Trasury on the transition to a fully taxable entity. Given the complex nature of municipal infrastructure assets that are not subject to tax, SARS has undertaken to assist the municipal entity in its transition to a fully taxable entity with specific reference to the tax treatment of assets that are not provided for in SARS' practice and interpretation notes.

As a result of this engagement, the municipal entity was not in a position to account for income tax as at 30 June 2015. As at the end of 30 June 2016, the municipal entity was able to account for income tax as at 30 June 2015 and 30 June 2016 resulting in the restatement of the comparative figures.

Income tax was accounted for in terms of the principles set out in International Accounting Standard 12.

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
55. Cash generated from operations		
(Deficit) surplus	(251,771,806)	152,520,788
Adjustments for:		
Depreciation and amortisation	693,119,346	653,386,515
Gain on sale of assets and liabilities	30,021,902	17,733,658
Fair value adjustments	139,118,141	(9,683)
Finance costs - Finance leases	9,125,933	12,176,532
Finance costs - Borrowings	71,172,617	31,668,068
Interest income	(32,549,446)	(35,627,789)
Impairment deficit	5,800,468	6,489,096
Movements in operating lease assets and accruals	(302,616)	16,707
Movements in retirement benefit assets and liabilities	84,095,000	85,623,000
Movements in provisions	31,926,681	52,997,487
Annual charge for deferred tax	(4,287,372)	(83,243,365)
Unwinding of FRESCHO liability	(10,394,123)	(7,524,321)
Public contributions and asset gains	(36,603,064)	(22,508,075)
Changes in working capital:		
Inventories	(76,168,508)	(29,011,150)
Other receivables from exchange transactions	(8,131,716)	(22,825,097)
Other receivables from non-exchange transactions	(3,644,047)	2,705,606
Consumer receivables from exchange transactions	(171,937,760)	(76,095,958)
Consumer receivables from non-exchange transactions	40,958,947	44,559,985
Payables from exchange transactions	481,114,656	(9,730,278)
VAT	96,352,696	(2,738,391)
Payables from non-exchange transactions	6,784,847	132,970,654
Unspent conditional grants and receipts	(1,400,510)	3,780,715
	1,092,400,266	907,314,704

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand 2016 2015

56. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure assets	608,414,294	355,981,415
• Other asset classes	62,320,131	47,851,598
	670,734,425	403,833,013

The capital expenditure will be financed from

Unspent conditional grants and receipts	106,083,319	107,483,829
Borrowings	433,178,408	120,500,878
Own funds	131,472,698	175,848,306
	670,734,425	403,833,013

During the current year, errors relating to the commitment register were corrected. The effect of the change is as follows:
Commitment increased by R10,859,467.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,409,717	4,349,291
- in second to fifth year inclusive	723,345	2,250,278
	2,133,062	6,599,569

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per annum. There are no renewal and/or purchase options. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	5,902,580	5,633,273
- in second to fifth year inclusive	21,399,494	19,297,005
- later than five years	32,981,912	30,137,406
	60,283,986	55,067,684

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 19,371,904 (2015: R 24,950,902) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

Comparative information has been restated due to reconstruction of the lease register and the accounting for the contract extensions which were not previously accounted for. The restatement is as follows:

Minimum lease payments due

- within one year - increased by R499,509
- in second to fifth year inclusive - increased by R8,005,070
- later than five years - increased by R2,844,506

Mangaung Metropolitan Municipality

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Figures in Rand

2016

2015

57. Contingencies

Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,611,511	3,686,859
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Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	6,881,720	27,578,703
Labour cases and employee related matters	5,176,919	11,528,441
Claims by individuals due to property damages in various incidents	175,000	2,024,930
Claims by individuals due to various incidents	58,158,544	5,291,491
Claims from suppliers due to contractual disputes	51,232,481	93,608,767
	121,624,664	140,032,332

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	2016	2015
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58. Related parties

Related party transactions

Operating expense transactions with related parties

Sentech SOC Ltd	4,214,637	2,315,668
Jager Technologies CC / Exilasolve (Pty) Ltd trading as Aqua-Elec Utility Solution - Meter reading and -audit services	-	26,970,434

Business transactions took place between the municipal entity and Sentech SOC Ltd. Mr J A Mongake, a director of the municipal entity, is also a director of Sentech SOC Ltd. The nature of the transactions is in the form of the municipal entity having a service level agreement with Sentech SOC Ltd to provide IT related services.

Business transactions took place between the municipal entity and Jager Technologies CC / Exilasolve (Pty) Ltd trading as Aqua-Elec Utility Solution. Prof L de Jager, a director of the municipal entity, has business interests in Jager Technologies CC / Exilasolve (Pty) Ltd trading as Aqua-Elec Utility Solution due to being a close family member of one of the directors. The risk is mitigated by the fact that she did not form part of the municipal entity's forum that approved the services level agreement. Prof L de Jager also submitted her resignation as member of the board during the 2015 financial year and is no longer a member of the board of directors. The nature of the transaction is in the form of the municipal entity having a service level agreement with Jager Technologies CC / Exilasolve (Pty) Ltd trading as Aqua-Elec Utility Solution to provide meter reading and meter auditing services.

Key management information

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 43 for key management and note 44 for councillors.

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

58. Related parties (continued)

Municipal Entity's directors' emoluments

2016

Name	Directors fees	Company contribution - UIF	Company contribution - SDL	Total
ML Mbabi (Chairperson)	343,710	1,564	573	345,847
FP Zitha (Deputy Chairperson)	229,144	1,345	382	230,871
N Mokhesi	136,134	860	227	137,221
KM Moroka	136,134	860	227	137,221
ZC Uwah	136,134	860	227	137,221
TJ Mongake	75,630	860	227	76,717
SG Xulu	136,134	860	227	137,221
SM Zimu	75,630	860	227	76,717
	1,268,650	8,069	2,317	1,279,036

2015

Name	Directors fees	Company contribution - UIF	Company contribution - SDL	Total
ML Mbali (Chairperson)	361,992	1,785	3,620	367,397
FP Zitha (Deputy Chairperson)	241,332	1,785	2,413	245,530
N Mokhesi	143,376	1,279	1,434	146,089
KM Moroka	92,820	774	928	94,522
ZC Uwah	57,903	518	579	59,000
TJ Mongake	143,376	1,279	1,434	146,089
SG Xulu	143,376	1,279	1,434	146,089
SM Zimu	143,376	1,279	1,434	146,089
L de Jager	3,844	38	38	3,920
	1,331,395	10,016	13,314	1,354,725

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Prior period errors

1. Prior period error - VAT Apportionment

During the current year the VAT was paid for the apportionment of the 2015 VAT.

Statement of financial position		
Decrease in VAT Receivable	-	(382,750)
Statement of financial performance		
Increase in General expenditure	-	382,750
	-	-

2. Prior period error - Input VAT denied

During the current year SARS denied input VAT relating to the prior year.

Statement of financial position		
Decrease in VAT Receivable	-	(333,367)
Statement of financial performance		
Increase in General expenses	-	333,367
	-	-

3. Prior period error - Input VAT

VAT accrued for prior period creditors was identified where it should have been reversed, but were not. The effect of the restatement is as follows:

Statement of financial position		
Decrease in VAT Receivable	-	(1,238,586)
Increase in Accumulated Surplus	-	1,238,586
	-	-

4. Prior period error - Training costs

The classification of training costs was incorrect during the prior year.

Statement of financial performance		
Increase in sundry income	-	(32,071)
Increase in general expenditure	-	32,071
	-	-

5. Prior period error - Revenue Foregone

Due to clarification from the Standards of GRAP regarding classification between Revenue Foregone and Grants Given, the following reclassification needed to be performed:

Statement of financial performance		
Decrease in Property Rates - Residential and business/commercial	-	12,326,074
Decrease in Service charges - Sewerage and sanitation charges	-	86,611,357
Decrease in Service charges - Refuse removal	-	59,852,563
Decrease in Service charges - Sale of water	-	13,619,408
Decrease in Grants and subsidies paid - Subsidised municipal services	-	(172,409,402)
	-	-

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Prior period errors (continued)

6. Prior period error - Conditional Grants

The prior period error arose in terms of grant expenditure not being realised to revenue when the conditions were met in the prior years.

Statement of financial position

Increase in Accumulated Surplus	-	(18,786,182)
Decrease in Unspent Conditional Grants	-	18,786,182
	-	-

7. Prior period error - VAT on Impairment

During the year, it was confirmed that VAT on the impairment of debtors was previously treated incorrectly. As a result, an adjustment was made to the balance on the VAT accounts.

Statement of financial position

Decrease in VAT payable	-	140,284,249
Increase in accumulated surplus	-	(111,103,370)

Statement of financial performance

Decrease in impairment	-	(29,180,879)
	-	-

8. Prior period error - Rates appeals

During the year it was noted that the adjustment for the valuation appeals was not effected on the system during the same period as the appeal board reached its decision.

Statement of financial position

Decrease in Consumer receivables from non-exchange transactions	-	(73,876,955)
Decrease in Consumer receivables from exchange transactions	-	(10,185,144)
Increase in VAT receivable	-	9,999
Decrease in Accumulated surplus	-	3,089,819

Statement of financial performance

Decrease in Property rates	-	71,432,641
Decrease in Service charges - sewerage	-	9,529,640
	-	-

9. Prior period error - Deferred lease income

The operating leases income register was revised to include only contracts with end date. Contracts which were effective during the 2014/15 financial year were identified during the current year, these had to be taken into account for the straightlining in the previous year.

Statement of financial position

Decrease in Payables from exchange transactions - Deferred lease income	-	499,509
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Statement of financial performance

Decrease in General expenditure - Hire	-	(499,509)
	-	-

10. Prior period error - Classification of unclaimed deposits

Revenue from unclaimed deposits was identified to have been incorrectly classified as revenue from exchange transactions. This classification was corrected during the current year.

Statement of financial performance

Increase in Other income from non-exchange transactions	-	(787,077)
Decrease in Other income from exchange transactions	-	787,077
	-	-

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Prior period errors (continued)

11. Prior period error - Adjust opening balances of PPE to align to the asset registers

Adjustments were made to align the land and buildings asset register to the accounting records.

Statement of financial position

Decrease in Cost of PPE - Buildings	-	(800)
Decrease in Cost of PPE - Land	-	(1)
Decrease in Accumulated depreciation of PPE - Buildings	-	332
Decrease in Accumulated Surplus	-	801
Statement of financial performance		
Decrease in Depreciation	-	(332)
	-	-

12. Prior period error - Classification of properties corrected

During the current year properties were identified that were incorrectly classified as investment property and inventory and were therefore reclassified to land and buildings.

The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Buildings	-	439,867
Increase of Cost of PPE - Land	-	32,264,633
Decrease in Cost of Investment Property	-	(32,464,500)
Decrease in Cost of Inventory	-	(38,892)
Increase in Accumulated Depreciation - Buildings	-	(25,875)
Increase in Revaluation Reserve	-	(8,504,058)
Decrease in accumulated surplus	-	8,315,887
Statement of financial performance		
Increase in depreciation	-	12,938
	-	-

13. Prior period error - Adjustment of opening balances - Community

Adjustments were made to align the community asset register to the accounting records.

Statement of financial position

Decrease in Cost of PPE - Community Assets	-	(322,691)
Decrease in Cost of PPE - WIP Community Assets	-	(54,722)
Decrease in Accumulated depreciation - Community assets	-	1,965,216
Increase in Accumulated Surplus	-	419,543
Statement of financial performance		
Decrease in depreciation	-	(1,965,216)
Decrease in repairs and maintenance	-	(42,130)
	-	-

14. Prior period error - Community and Infrastructure assets depreciation

During the current year an error in the calculation of depreciation for community and infrastructure assets was identified and rectified. The effect of the restatement is as follows:

Statement of financial position

Increase in Accumulated depreciation - Infrastructure assets	-	(17,077,154)
Increase in Accumulated depreciation - Community assets	-	(8,866,881)
Decrease in Accumulated Surplus	-	11,167,324
Statement of financial performance		
Increase in Depreciation - Infrastructure assets	-	13,338,753
Increase in Depreciation - Community assets	-	1,437,958
	-	-

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

59. Prior period errors (continued)

15. Prior period error - Capitalisation of WIP in prior year - Bloemfontein park

During the current year it was identified that expenditure included in Work-In-Progress (WIP) should have been capitalised in prior periods. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Community assets - Parks	-	4,225,813
Increase in Cost of PPE - Community assets - Sport stadiums	-	186,584
Increase in accumulated depreciation - Parks	-	(281,526)
Increase in accumulated depreciation - Sport stadiums	-	(8,725)
Decrease in cost of PPE - WIP Community	-	(4,412,397)
Decrease in accumulated surplus	-	216,961

Statement of financial performance

Increase in depreciation	-	73,290
	-	-

16. Prior period error - Re-classification of investment property to Inventory

During the year, properties that should have been classified as inventory were identified as part of investment property.

Statement of financial position

Decrease in Cost of Investment Property	-	(790,000)
Increase in Inventory	-	99,783
Decrease in Accumulated Surplus	-	690,217
	-	-

17. Prior period error - Derecognition of unknown property

During the year, properties were identified which the deeds office has no record of ownership. These properties have therefore been removed from the asset register.

Statement of financial position

Decrease in Investment property	-	(570,000)
Decrease in Accumulated surplus	-	570,000
	-	-

18. Prior period error - Heritage assets Hertzog Park capitalisation

Hertzog Park was erroneously excluded from the Heritage Asset register in prior years.

Statement of financial position

Increase in cost of heritage assets	-	596,582
Increase in accumulated surplus	-	(596,582)
	-	-

19. Prior period error - Heritage assets - repairs to City Hall incorrectly capitalised to 1314

Repairs and maintenance expenditure to City Hall incurred during prior years, were incorrectly carried as WIP within heritage assets, and not expensed as it should have been. The effect of the restatement is as follows:

Statement of financial position

Decrease in cost of heritage assets	-	(684,236)
Increase in accumulated surplus	-	684,236
	-	-

Mangaung Metropolitan Municipality

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59. Prior period errors (continued)

20. Prior period error - Infrastructure adjustments to opening balance

Adjustments were made to align the infrastructure asset register to the accounting records.

Statement of financial position

Decrease in cost of PPE - Infrastructure	-	(19,999)
Decrease in Cost of PPE - WIP Infrastructure	-	(79,183)
Decrease in Accumulated depreciation - Infrastructure	-	(29,793)
Decrease in accumulated surplus	-	99,182
Statement of financial performance		
Increase in Depreciation	-	29,793
	-	-

21. Prior period error - Correction of amount derecognised during 2014: maintenance related expenditure

Capital expenditure incurred in prior years was erroneously expensed and not recorded as part of the WIP for infrastructure assets.

Statement of financial position

Increase in Cost of PPE - WIP Infrastructure assets	-	5,897,929
Increase in Accumulated surplus	-	(5,897,929)
	-	-

22. Prior period error - Amounts capitalise in excess of actual spend

During the current year an adjustment was made to balances that were capitalised in excess of the actual spending due to the recapitalisation of projects. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - WIP Infrastructure	-	1,460,703
Increase in accumulated surplus	-	(1,460,703)
	-	-

23. Prior period error - Finance leases

During the year it was identified that a Mercedes Benz, fleet number 1021, was not accounted for in the 2014/2015 period.

Statement of financial position

Increase in property, plant and equipment	-	2,207,217
Increase in finance lease liability	-	(2,207,217)
Increase in accumulated depreciation	-	(432,977)
Statement of financial performance		
Increase in depreciation	-	432,977
	-	-

24. Prior period error - Impairment incorrectly raised in prior year

The impairment that was previously raised on assets in the prior year was found to be incorrect.

Statement of financial position

Decrease in accumulated depreciation of PPE - Other assets	-	1,827,805
Statement of financial performance		
Decrease in impairment loss	-	(1,827,805)
	-	-

Mangaung Metropolitan Municipality

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59. Prior period errors (continued)

25. Prior period error - Traffic fines

The traffic fines receivable listing and the accounting records were aligned.

Statement of financial position

Decrease in Other receivables from non-exchange transactions - (1,527,198)

Statement of financial performance

Decrease in fines revenue - 1,527,198

- -

26. Prior period error - Community assets

Through inspection of the WIP register, a project that should have been capitalised was identified.

Statement of financial position

Increase in Cost of PPE - WIP Buildings - 6,183,065

Decrease in Cost of PPE - WIP Community Assets - (6,657,865)

Decrease in Accumulated surplus - 221,306

Statement of financial performance

Increase in Contracted services - 253,494

- -

27. Prior period error - Billing of industrial effluent

During the year, it was identified that a customer was billed at the incorrect rate for industrial effluent. This rate was adjusted during the year and the balance corrected.

Statement of financial position

Decrease in Other receivables from exchange transactions - sundry debtors - (2,621,121)

Decrease in Accumulated surplus - 2,049,205

Statement of financial performance

Decrease in Other income from exchange transaction - Sundry income - 571,916

- -

28. Prior period error - Operational expenditure included in WIP

During the current year it was identified that operational expenditure were incorrectly included in WIP. The effect of the restatement is as follows:

Statement of financial position

Decrease in cost of PPE - Infrastructure WIP - (54,904,524)

Decrease in Accumulated Surplus - 40,608,157

Statement of financial performance

Increase in Repairs and maintenance expenditure - 14,296,367

- -

29. Prior period error - Infrastructure private developments

During the current year it was identified that assets acquired through private developments were not included in the asset registers.

Statement of financial position

Increase in Cost of PPE - Infrastructure - 23,924,876

Increase in Accumulated depreciation of PPE - Infrastructure - (13,315,471)

Increase in Accumulated surplus - (12,316,692)

Statement of financial performance

Increase in Depreciation - 1,707,287

- -

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand

59. Prior period errors (continued)

30. Prior period error - Movables

During the current year it was determined that movable assets were not included in the registers, or were included at the incorrect amounts.

Statement of financial position

Increase in Cost of PPE - Other PPE	-	2,288,019
Increase in Accumulated depreciation of PPE - Other PPE	-	(421,648)
Increase in Accumulated Surplus	-	(860,721)

Statement of financial performance

Decrease in Depreciation	-	(6,709)
Decrease in Repairs and maintenance	-	(998,941)
	-	-

31. Prior period error - Assets held for sale

Properties disclosed as assets held for sale were incorrectly classified under PPE. The properties have been reclassified on Inventory. The effect of the restatement is as follows:

Statement of financial position

Decrease on Cost of PPE - Assets held for sale	-	(14,650,000)
Increase in Inventory	-	14,650,000
	-	-

32. Prior period error - Unknown land

During the current year, two properties were identified which do not belong to the entity and were therefore removed from the Inventory register. The effect of the restatement is as follows:

Statement of financial position

Decrease in Inventory	-	(65,982)
Decrease in Accumulated Surplus	-	65,982
	-	-

33. Prior period error - RDP properties

During the current year it was noted that land already allocated to beneficiaries for RDP housing by the Department of Human Settlements was still included in the inventory register. The properties were therefore removed from this register. The effect of the restatement is as follows:

Statement of financial position

Decrease in Inventory	-	(4,903,832)
Decrease in Accumulated Surplus	-	4,903,832
	-	-

34. Prior period error - Cameras duplicated

During the current year it was identified that law enforcement cameras purchased were duplicated on the asset register. The effect of the correction is as follows:

Statement of financial position

Decrease in Cost of PPE - Community assets	-	(1,500,000)
Decrease in Accumulated Surplus	-	1,500,000
	-	-

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

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59. Prior period errors (continued)

35. Prior period error - Landfill and quarries

Based on the provision valuation report it was noted that landfill sites and quarries were understated as a result of the valuation of the provision. Thus, the entity adjusted the value of the assets in line with the provisions report. The impact of this adjustment is as follows:

Statement of financial position

Increase in Cost of PPE - Community assets	-	56,661,579
Increase in Accumulated Depreciation of PPE - Community assets	-	(14,537,743)
Increase in Provisions	-	(56,661,579)
Decrease in Accumulated Surplus	-	13,568,560

Statement of financial performance

Increase in Depreciation	-	969,183
	-	-

36. Prior period error - WIP Correction

During the current year it was noted that repairs and maintenance expenditure were incorrectly included in WIP. The effect of the restatement is as follows:

Statement of financial position

Decrease in Cost of PPE - Community assets - WIP	-	(4,704,392)
--	---	-------------

Statement of financial performance

Increase in Repairs and maintenance	-	4,704,392
	-	-

37. Prior period error - Deemed cost additions - Community

During the current year it was determined that certain ablution facilities were not included with the respective parks. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Community assets (Parks)	-	1,785,866
Increase in Accumulated depreciation of PPE - Community assets (Parks)	-	(978,263)
Decrease in Accumulated Surplus	-	(1,053,480)

Statement of financial performance

Increase in Depreciation	-	245,877
	-	-

38. Prior period error - Zoo animal addition

During the current year it was identified that an animal was incorrectly derecognised in the prior year.

Statement of financial position

Increase in Cost of PPE - Community asset	-	1,500
Increase in Accumulated Surplus	-	(1,500)

	-	-
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39. Prior period error - Movables

During the prior year, the purchase of goods only delivered after year end were incorrectly accrued for as Payables. The items related to movables purchases of the current year. The effect of the restatement were as follows:

Statement of financial position

Decrease in Payables from exchange transactions - Trade payables	-	1,858,655
Decrease in VAT Receivable	-	(201,824)

Statement of financial performance

Decrease in Repairs and maintenance	-	(1,656,831)
	-	-

Mangaung Metropolitan Municipality

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59. Prior period errors (continued)

40. Prior period error - Water meters

During the current year the water meter register was reconstructed, and therefore restated. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Infrastructure assets	-	218,043,961
Increase in Accumulated depreciation - Infrastructure assets	-	(91,310,248)
Increase in Accumulated surplus	-	(82,203,499)

Statement of financial performance

Decrease in Repairs and maintenance	-	(59,456,440)
Increase in Depreciation	-	14,926,226

- -

41. Prior period error - Public Contributions & donations:

During the period under review it was noted that amounts received during the 2013/2014 and 2014/2015 financial years for public connections were never recognised as revenue after the connections were made due to the fact that the completion dates of the connections was not available at that time. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in Payables from exchange transactions	-	25,726,118
Increase in Accumulated surplus	-	(18,306,182)

Statement of financial performance

Increase in Public Connection Income	-	(7,419,936)
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- -

42. Prior period error - Auction income accrual

During the period under review it was noted that the accrual raised for the auction income receivable at year end 2014/2015 was incorrect as it did not include the commission. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Other receivables from exchange transactions	-	109,650
Increase in VAT Payable	-	(13,465)

Statement of financial performance

Decrease in Loss on disposal of assets and liabilities	-	(96,185)
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43. Prior period error - Infrastructure assets

During the period under review it was noted that pole mounted transformers identified during the 2015 financial year end count was not capitalised during the 2014/2015 financial year as these items were originally thought to be outside the Mangaung service area. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Cost of PPE - Infrastructure assets	-	15,675,442
Increase in Accumulated depreciation of PPE - Infrastructure assets	-	(3,918,860)
Increase in Accumulated Surplus	-	(11,756,582)

Heading

- -

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59. Prior period errors (continued)

44. Prior period error - Income Taxation

During the period under review the municipal entity was deemed to be taxable for income taxation starting from the 2014/15 financial year. A taxation calculation for the 2014/2015 financial year was performed resulting in deferred tax assets and -liabilities which had to be recorded for the 2014/2015 financial year. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in deferred tax asset	-	68,197,502
Increase in deferred tax liability	-	(391,523,240)
Decrease in revaluation reserve	-	406,569,103

Statement of financial performance

Decrease in taxation	-	(83,243,365)
	-	-

45. Prior period error - VAT

During the period under review it was noted that the accrual raised for creditors payable at year end 2014/2015 resulted in accounting for VAT on a non-vatable transaction. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in VAT payable	-	(2,818)
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Statement of financial performance

Increase in General expenditure	-	2,818
	-	-

46. Prior period error - Insurance claim

During the period under review it was noted that amounts received for insurance claims during the 2014/2015 financial year was incorrectly allocated to the insurance debtor. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in receivables from exchange transactions	-	35,730
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Statement of financial performance

Increase in Other income	-	(35,730)
	-	-

47. Prior period error - Retention creditor

During the period under review it was noted that amounts payable relating to the retention creditor for the 2014/2015 financial year was not accounted for. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Cost of PPE	-	1,411,293
Increase in payables from exchange transactions	-	(1,608,874)
Decrease in VAT payable	-	197,581

	-	-
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59. Prior period errors (continued)

48. Prior period error - Work in progress

During the period under review it was noted that amounts included in work in progress during the 2014/2015 financial year should have been accounted for as a repairs and maintenance expense. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in PPE	-	(8,603,989)
Statement of financial performance		
Increase in Repairs and maintenance	-	8,603,989
	-	-

49. Prior period error - Intangible asset

During the period under review it was noted that amounts capitalised to intangible assets during the 2014/2015 financial year should have been accounted for as an expense. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in Intangible assets	-	(1,324,293)
Statement of financial performance		
Increase in General expenses	-	1,324,293
	-	-

50. Prior period error - Payable from exchange transaction

During the period under review it was noted that amounts relating to electrification project material for Mantsopa Local Municipality was incorrectly accounted for as a Centlec (SOC) Ltd expense instead of a Mantsopa Local Municipality expense during the 2014/2015 financial year. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Decrease in Payables from exchange transactions	-	197,212
Statement of financial performance		
Decrease in repairs & maintenance expense	-	(197,212)
	-	-

51. Prior period error - Reclassifying of investments

During the period under review it was noted that in the prior year an investment was incorrectly classified as part of cash and cash equivalents instead of investments. A reclassification correction was made and the comparative statements for 2014/2015 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position		
Increase in Investments	-	49,252,787
Decrease in Cash and cash equivalents	-	(49,252,787)
	-	-

52. Prior period error - Reclassifying of general expense

During the period under review it was noted that in the prior year an expense relating to contractors fees was incorrectly classified as an expense for protective clothing. A reclassification was done for the prior period and the comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance		
Decrease in general expense - Protective clothing	-	(6,200)
Increase in general expense - Contractors fees	-	6,200
	-	-

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59. Prior period errors (continued)

53. Prior period error - Reclassifying of vendors

During the period under review it was noted that in the prior year vendors with credit balances was incorrectly disclosed as an other receivable from exchange transactions instead of as a payment received in advance. A reclassification was done for the prior period and the comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in other receivables from exchange transactions	-	2,239,185
Increase in payables from exchange transactions	-	(2,239,185)
	-	-

54. Prior period error - Year end creditor accrual

During the period under review it was noted that the creditors accrued for during the 2014/2015 financial year incorrectly included amounts that should not have been accrued for. The comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in payables from exchange transactions	-	353,049
Increase in VAT payable	-	(43,357)

Statement of financial performance

Decrease in repairs and maintenance	-	(37,894)
Decrease in general expense	-	(271,798)
	-	-

55. Prior period error - Reclassifying of depreciation and amortisation

During the period under review it was noted that in the prior year an amount relating to amortisation was incorrectly disclosed as part of depreciation. A reclassification was done for the prior period and the comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance

Decrease in Depreciation	-	(1,387,755)
Increase in Amortisation	-	1,387,755
	-	-

56. Prior period error - Service charges

During the period under review it was noted that service charges relating to the 2014/15 financial year was incorrectly accounted for as part of the 2015/16 financial year service charges. The comparative statements for the 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Consumer receivables from exchange transactions	-	96,003
	-	(96,003)
	-	-

57. Prior period error - Reclassifying of leave pay provision charge

During the period under review it was noted that in the prior year an expense relating to leave pay provision charge which forms part of employee related costs was incorrectly classified as a general expense. A reclassification was done for the prior period and the comparative statements for 2014/15 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance

Increase in Employee related cost	-	988,893
Decrease in General expense	-	(988,893)
	-	-

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60. Comparative figures

Certain comparative figures have been reclassified to more closely reflect their purpose.

The effects of the reclassification are as follows:

Statement of Financial Performance

Increase in Contracted services - Refuse removal	-	36,982,826
Decrease in General expenditure - Refuse removal	-	(36,982,826)
Other income from exchange transactions		
Advertising	-	(1,163,857)
Sundry income	-	1,163,857

61. Risk management

Financial risk management

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

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

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61. Risk management (continued)

Liquidity risk

Liquidity risks is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

The entity has defaulted on external loans, as disclosed in note 25, but did not default on payables and leave commitment payments. No re-negotiation of terms were made on any of these instruments

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	100,965,373	673,092,550	-
Finance lease obligations	44,087,900	19,179,554	-
Trade payables from exchange transactions	1,177,777,620	-	-
Trade payables from non-exchange transactions	286,199,407	-	-
Operating lease liabilities	97,893	-	-

At 30 June 2015	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	35,002,986	178,048,790	379,133,799
Finance lease obligations	41,538,934	68,799,454	-
Trade payables from exchange transactions	713,127,555	-	-
Trade payables from non-exchange transactions	279,414,560	-	-
Operating lease liabilities	304,171	96,338	-

There has been no change, since the previous financial year, to the entity's exposure to liquidity risks or the manner in which it manages and measures the risks.

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61. Risk management (continued)

Credit risk

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

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity 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.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on the service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	2016	2015
Cash and cash equivalents	325,546,328	312,783,583
Investments	107,818,543	362,715,433
Consumer receivables from exchange transactions	804,890,677	632,952,917
Consumer receivables from non-exchange transactions	262,419,381	303,378,328
Other non-current receivables from exchange transactions	2,995,301	4,954,298
Other receivables from exchange transactions	96,266,927	88,135,211
Other receivables from non-exchange transactions	4,454,092	810,045
Financial instruments designated at fair value	33,107	32,498

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 57 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the entity's exposure to market risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa and Standard Bank of South Africa Limited loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2016 and 2015, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

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61. Risk management (continued)

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The fair value of financial assets with standard terms and conditions, and are traded in an active market is determined with reference to quoted market bid prices, and asked prices respectively.

62. Going concern

We draw attention to the fact that at 30 June 2016, the entity had an accumulated surplus of R 11,455,329,800 and that the entity's total assets exceed its liabilities by R 13,494,772,247.

The consolidated 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

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2016).

63. Unauthorised expenditure

Opening balance	2,054,733,537	1,067,601,004
Unauthorised expenditure - current year	654,817,224	987,132,533
	2,709,550,761	2,054,733,537

The comparative year figure has been restated as follows:

- Decrease in Unauthorised expenditure - current year by R10,002,012
- Incidents regarding 2014/2015
- Decrease in Overspending by Finance by R10,002,012

Comparative information has been restated due to correction of prior period errors and omissions.

Incidents regarding 2015/2016

	Disciplinary steps taken / criminal proceedings		
Overspending by City Manager	None	58,351,818	-
Overspending by Engineering Services	None	379,453,297	-
Overspending by Water Services	None	42,036,752	-
Overspending by Waste and Fleet Management Services	None	8,718,871	-
Overspending by Miscellaneous Services	None	139,964,748	-
Overspending by Finance (Capital budget)	None	428,285	-
Overspending by Human Settlements and Housing (Capital budget)	None	24,220,513	-
Overspending by Strategic Projects and Service Delivery Regulation Services (Capital budget)	None	1,535,723	-
Overspending by Electricity Services (Capital budget)	None	107,217	-
		654,817,224	-

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63. Unauthorised expenditure (continued)

Incidents regarding 2014/2015

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	476,310,085
Overspending by Water services	None	-	16,073,144
Overspending by Miscellaneous services	None	-	494,749,304
		-	987,132,533

Incidents regarding 2013/2014

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	335,548,820
Overspending by Water services	None	-	6,503,968
Overspending by Miscellaneous services	None	-	324,571,205
Overspending by Property rates	None	-	6,472,972
		-	673,096,965

Incidents regarding 2012/2013

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	19,535,661

Incidents regarding 2011/2012

	Disciplinary steps taken / criminal proceedings		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh Produce Market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	307,256,486

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63. Unauthorised expenditure (continued)

Incidents regarding 2010/2011

	Disciplinary steps taken / criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water services - Operating	None	-	23,353,983
Overspending by Water services - Capital	None	-	14,165,233
		-	67,711,892

The unauthorised expenditure relates to the following:

1. Office of the City Manager:

The over expenditure on this vote relates to additional costs incurred with regard to the IPTN implementation.

2. Engineering Services

The over expenditure on this vote relates to the depreciation, amortisation and impairment of assets exceeding the budgeted amounts. Additionally, expenditure relating to the fair value adjustments on the landfill and quarries provisions was in excess of the budgeted amounts.

3. Water Services

The over expenditure on this vote is as a result of the provision for doubtful debts within this vote being in excess of the budgeted amount.

4. Waste and Fleet Management Services

The over expenditure incurred on this vote is mainly as result of additional overtime payments incurred to attend to urgent repairs to various areas in the City.

5. Miscellaneous Services

The over expenditure incurred on this vote relates to the provision for doubtful debts within this vote being in excess of the budgeted amount.

64. Fruitless and wasteful expenditure

Opening balance	28,538,903	28,324,936
Fruitless and wasteful expenditure for the current year	917,671	213,967
	29,456,574	28,538,903

During the audit process indications of possible fruitless and wasteful expenditure were identified relating to the N8 Development Node and relates to procurement contracts which management is investigating its compliance to the MFMA and SCM regulations.

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64. Fruitless and wasteful expenditure (continued)

Incidents regarding 2015/2016

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	127,272	-
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	11,700	-
Interest paid to FDC due to late payment	None	1,732	-
Interest paid to PEC Metering due to late payment	None	618	-
Interest paid to UMFA due to late payment	None	662	-
Interest paid to Telkom SA Limited due to late payment	None	212,973	-
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	3,796	-
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	117,852	-
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	230,879	-
Interest on late payment of PAYE to SARS	None	181,908	-
Interest incurred on late payment of supplier accounts - FDC	None	7,773	-
Interest incurred on late payment of supplier accounts - Other	None	20,506	-
		917,671	-

Incidents regarding 2014/2015

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	20,469
Interest paid to FDC due to late payment	None	-	256
Interest paid to Lawyers due to late payment	None	-	5,549
Interest paid to PEC Metering due to late payment	None	-	402
Interest paid to Telkom due to late payment	None	-	57,044
Interest paid to SARS due to late payment	None	-	45,077
Interest paid to Phethogo Consulting CC due to late payment	None	-	78,938
Interest paid to UMFA due to late payment	None	-	213
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	1,155
Interest paid to SARS due to late payment of SDL	None	-	210
Interest paid to FDC due to late payment of rentals	None	-	4,586
Interest paid to Eskom due to late payment	None	-	68
		-	213,967

Incidents regarding 2013/2014

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	138,247
Interest paid to FDC due to late payment	None	-	783
Interest paid to Broll due to late payment	None	-	976
Interest paid to Bloemwater due to late payment	None	-	240
Interest paid to Lawyers due to late payment	None	-	769
Interest paid to PEC Metering due to late payment	None	-	417
Interest paid to Dlamini and Associates due to late payment	None	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	-	3,818
Interest paid to Wright Rose Innes INC due to late payment	None	-	2,360
Interest paid to Dierhospitaal due to late payment	None	-	208
		-	148,343

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64. Fruitless and wasteful expenditure (continued)

Incidents regarding 2012/2013

	Disciplinary steps taken / criminal proceedings		
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	-	42,879
Interest paid to Eskom due to late payment	None	-	41,415
Interest paid to FDC due to late payment	None	-	804
Interest paid to Rossouws Attorneys due to late payment	None	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	-	57
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel	None	-	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	-	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	-	147,204
Interest paid to Bloemwater due to late payment	None	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	60,820
Interest paid to Telkom SA limited due to late payment	None	-	100,031
Interest paid to Lawyers due to late payment	None	-	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	375,765
		-	798,134

Incidents regarding 2011/2012

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return.	None	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	378,254
		-	14,378,291

Incidents regarding 2010/2011

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	-	171,147
		-	7,900,281

Incidents regarding 2009/2010

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of VAT return.	None	-	5,099,888

65. Irregular expenditure

Opening balance	289,434,239	247,819,556
Add: Irregular Expenditure - current year	32,718,861	41,614,683
Add: Irregular Expenditure - relating to prior year	361,500	-
	322,514,600	289,434,239

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65. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	33,080,361	41,614,683
Prior years	289,434,239	247,819,556
	322,514,600	289,434,239

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified where the supply chain management process was not followed	The expenditure was identified during the current financial year and still needs to be investigated	28,995,134
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	The expenditure was identified during the current financial year and still needs to be investigated	230,879
Non-compliance with the Municipal Systems Act, (Act 32 of 2000) with regard to acting allowances paid	The expenditure was identified during the current financial year and still needs to be investigated	492,848
SCM documents were stolen after a brake in at the records office in the previous financial year.	The expenditure was incurred in the prior year. No disciplinary steps were taken as the procurement process was followed, however following a break in at the entity's supply chain offices the documents were stolen. The expenditure has been submitted to council for consideration of being written off.	361,500
Expenditure items identified where the expenditure incurred were not in accordance with the contract between Mangaung and the service providers	The expenditure was identified during the current financial year and still needs to be investigated	3,000,000
		33,080,361

66. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	11,800,000	11,096,000
Amount paid - current year	(11,800,000)	(11,096,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

Opening balance	396,010	1,002,948
Current year regularity audit fees	22,562,976	22,653,173
Amount paid - previous years	(396,010)	(1,002,948)
Amount paid - current year	(20,666,108)	(22,257,163)
	1,896,868	396,010

During the current year an error was discovered in the disclosure of the prior year audit fees. The comparative figure for audit fees has been adjusted as follows:

- Current year fees has increased by R398,184
- Amount paid - current year has increased by R2,174
- Closing balance has increased by R396,010

PAYE and UIF

Opening balance	(103,427)	65
Current year subscription / fee	225,494,951	192,383,800
Interest and penalties - current year	181,908	70,748
Amount paid - current year	(208,254,372)	(192,557,975)
Amount paid / refunded - previous years	103,426	(65)
	17,422,486	(103,427)

Mangaung Metropolitan Municipality

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

Pension and Medical Aid Deductions

Opening balance	23,475	(3,335)
Current year subscription / fee	315,461,703	270,623,335
Amount paid - current year	(290,951,997)	(270,596,525)
Amount paid - previous years	(23,475)	-
	24,509,706	23,475

Councillors' arrear consumer accounts

Refer to Appendix H for details regarding the councillors' arrear consumer accounts.

Supply chain management regulations

In terms of section 45 of the Municipal Supply Chain Management Regulations any awards made to a person that is a spouse, child or parent of a person in service of the state must be disclosed.

Details of award

Isibaya Solutions (Pty) Ltd - Spouse employed by Department of Economic, Sports, Tourism and Environmental Affairs	1,321,570	-
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Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable. The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo liter	Cost per Kilo liter	Total loss in Rands
2016	24,521,368	5.97	146,392,567
2015	33,281,104	5.21	173,394,552

In the prior year the cost per kilo liter was incorrectly stated at R5.04, and not R5.21.

This matter has been corrected in the current year, resulting in the following changes to the comparative figures:

Total loss increased by R5,657,788

Electricity distribution losses

	kWh - units	Rand value	Percentage
Electricity losses - 2016	225,545,764	180,249,104	13.23%
Electricity losses - 2015	219,417,828	154,232,114	12.89%

In the current year the energy losses were 13.23% (2015:12.89%). These losses are the result of theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulting meters, etc. Non-technical losses amounted to 89 191 361 kWh units (2015: 83 205 603 kWh units) with a value of R71,278,940 (2015: R58,486,478).

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity have certain resistance which resist the throughput of current, as a result, there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 136 354 403 kWh units (2015: 136 212 225 kWh units) with a value of R108,970,164 (2015: R95,745,636)

Grants withheld

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

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

During the year under review, the following amount was withheld by National Treasury. It is expected that this grant income will be received upon the submission of additional documentation. This amount has not yet been included as income.

Grant

Neighbourhood Development Grant	11,000,000	-
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67. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

68. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

69. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the consolidated annual financial statements.

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Deviations 2016

	Rands	Number of deviations
Emergency	3,101,903	18
Sole supplier	10,412,325	55
Impractical	991,270	9
Urgent	9,326,932	100
Other	3,087,887	34
	26,920,317	216

Deviations 2015

	Rands	Number of deviations
Emergency	6,403,085	40
Sole supplier	6,291,152	35
Impractical	9,833,291	38
Urgent	226,444	10
Other	5,224,144	77
	27,978,116	200

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

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70. Budget differences

Changes from the approved budget to the final budget

Statement of financial performance:

- A1 - Property rates revenue were adjusted downwards due to the downwards adjustment of property values as a result of the decisions from the Valuation Appeals Board.
- A2 - Service charges revenue were adjusted downwards due to the level of performance as at the time of the mid-year performance evaluation.
- A3 - The adjustments to transfers recognised were made in line with the adjustments in government funding and funds rolled over from the prior year.
- A4 - The adjustment was made due to the expected increase in the interest on the shareholders loan from Centlec (SOC) Ltd.
- A5 - Employee costs were adjusted downwards due to the savings made on employee costs at the mid year review as a result of vacancies.
- A6 - The adjustment was made due to the balance of the Centlec intercompany receivable being favourable to the entity and no interest costs expected.
- A7 - Increase due to the expected increase in road maintenance to be done.
- A8 - Adjustment made due to the expected decrease in free basic services based on performance as at mid year review.
- A9 - The adjustment made mainly due to the expected increase in costs of refuse collection, and the IPTN expenditure expected.

Statement of financial position:

A10 - Changes to the statement of financial position budget were made due to the audited financial statements as at 30 June 2015 becoming available after the finalisation of the audit. The changes were done in order to align the budget statement of financial position, taking into account the closing balances as per the financial statements, as well as changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement:

A11 - Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.

Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2016

Notes to the Consolidated Annual Financial Statements

Figures in Rand

70. Budget differences (continued)

Material differences between the budget and actual amounts

Statement of financial performance:

- B1 - Property rates has a favourable variance due to the result of the rates appeals being corrected, and more billing than anticipated for the period than what was budgeted.
- B2 - Unfavourable variance due to less water billed for the period than budgeted mainly due to water restrictions. Furthermore, consumers have been requested to cut back on electricity usage by ESKOM to limit the impact of load shedding.
- B3 - Favourable variance due to interest received from the entity on the intercompany loan.
- B4 - Transfers recognised for operating and capital grants had favourable and unfavourable variances respectively due to the different conditions being achieved for the conditional grants. Capital projects had slower implementation, therefore less revenue was recognised.
- B5 - Other own revenue has an unfavourable due to a combination of under/over collection on various revenue items, non-cash items and GRAP issues only accounted for when finalising the financial statements.
- B6 - Favourable variance due to the moratorium placed on the filling of vacancies.
- B7 - Debt impairment has an unfavourable variance as the provision for doubtful debts was in excess of the anticipated provision.
- B8 - Depreciation has an unfavourable variance as a result of the increased asset base.
- B9 - Material and bulk purchases had an unfavourable variance due to an increase in repairs and maintenance, especially on buildings.
- B10 - Transfers and Grants paid have a favourable variance mainly due to the change in the accounting treatment of grants given on the free basic services.
- B11 - Other expenditure has a favourable fluctuation due to controlled spending, and underspending on contractor fees.
- B12 - Public contributions have a favourable variance as a result of the completion of electricity connections.

Statement of financial position:

- B13 - Variance due to the activities reported in the statement of financial performance and the resultant financial position of the entity.

Cash flow statement:

- B14 - Variance due to the activities reported in the statement of financial performance and the resultant financial position of the entity.

Reconciliation between Total Revenue and Total Expenditure

- R1 - Fair value adjustments and gains on the disposal of non-current assets are classified as revenue for budgeting purposes, and therefore included under total revenue, while they are classified as adjustments to expenditure for the purpose of the financial statements.

71. Events after the reporting date

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality will extend to include Naledi Local Municipality and Soutpan from Masilonyana Local Municipality. These changes are effective as of 3 August 2016.

On 8 July 2016 the Council resolved that 11 170 indigents be included in the indigent register. These indigents had outstanding balances amounting to R50,748,313 at the date of inclusion. Council approved the write off of these balances.

At the same meeting, Council approved the write off 4 673 accounts owed by disabled / pensioned indigents, with outstanding balances amounting to R23,714,052; and 77 housing rental accounts with outstanding balances amounting to R14,545.

72. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified:

Mangaung Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

72. Non-compliance with the MFMA (continued)

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)

Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

MFMA section 65(2)(e)

Money owing by the entity was not paid within 30 days of receiving the relevant invoice or statement.

Municipal Systems Act, section 86H(2)(1)

A municipality may pass a by-law establishing a service utility which provides for the appointment of the Board of Directors to manage the service utility. The municipal entity did not fully comply with the provisions of the Municipal Systems Act as the term of the Board of Directors ended April 2016. Thus for the two months of May and June 2016 the municipal entity did not have a Board of Directors. However a new Board of Directors was appointed with effect from 1 July 2016.

Mangaung Metropolitan Municipality
Appendix A to the Consolidated Annual Financial Statements - Unaudited

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	
		Rand	Rand	Rand	Rand	
Development Bank of South Africa @ 12.62%	103433/01	31 March 2026	42,555,911	-	2,045,613	40,510,298
Development Bank of South Africa @ 6.75%	103433/02	31 March 2026	138,000,746	-	3,703,782	134,296,964
Development Bank of South Africa @ 10.642%	12007885	30 June 2025	127,000,000	173,000,000	(9,292,275)	309,292,275
Standard bank of South Africa Limited	33714314	30 June 2025	283,235,810	-	(6,722,575)	289,958,385
			590,792,467	173,000,000	(10,265,455)	774,057,922

Mangaung Metropolitan Municipality
Appendix B to the Consolidated Annual Financial Statements - Unaudited

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land															
Land	1,436,875,735	35,001,000	-	(224,467)	-	(7,761,790)	-	1,463,890,478	-	-	-	-	-	-	1,463,890,478
	1,436,875,735	35,001,000	-	(224,467)	-	(7,761,790)	-	1,463,890,478	-	-	-	-	-	-	1,463,890,478
Buildings															
Buildings	1,284,939,468	7,434,342	-	(738,530)	-	-	-	1,291,635,280	(73,302,172)	244,406	-	(43,750,580)	-	(116,808,346)	1,174,826,934
Work in Progress	18,964,558	-	49,843,761	-	(7,434,342)	-	-	61,373,977	-	-	-	-	-	-	61,373,977
	1,303,904,026	7,434,342	49,843,761	(738,530)	(7,434,342)	-	-	1,353,009,257	(73,302,172)	244,406	-	(43,750,580)	-	(116,808,346)	1,236,200,911
Community Assets															
Parks	134,690,845	66,969,627	-	-	-	-	-	201,660,472	(52,597,030)	-	-	(24,371,017)	-	(76,968,047)	124,692,425
Fresh produce market	55,771,013	-	-	-	-	-	-	55,771,013	(32,558,019)	-	-	(3,148,336)	-	(35,706,355)	20,064,658
Swimming pools	51,958,084	14,563,882	-	-	-	-	-	66,521,966	(15,597,657)	-	-	(2,828,627)	-	(18,426,284)	48,095,682
Cemeteries	51,710,642	3,015,058	-	(194,625)	-	-	-	54,531,075	(20,048,775)	86,618	-	(2,552,449)	-	(22,514,606)	32,016,469
Landfill sites	153,880,201	10,224,290	-	-	-	-	-	164,104,491	(107,671,084)	-	-	(3,221,511)	-	(110,892,595)	53,211,896
Quarry sites	350,859,878	27,956,268	-	(9,230,768)	-	-	-	369,585,378	(237,391,818)	-	-	(18,018,799)	-	(255,410,617)	114,174,761
Sports ground	355,563,404	773,356	-	-	-	-	-	356,336,760	(108,311,189)	-	-	(13,068,325)	-	(121,379,514)	234,957,246
Sports stadiums	138,915,054	7,252,299	-	-	-	-	-	146,167,353	(56,020,160)	-	-	(5,810,213)	-	(61,830,373)	84,336,980
Law enforcement cameras	56,615,875	-	-	-	-	-	-	56,615,875	(35,197,546)	-	-	(5,515,783)	-	(40,713,329)	15,902,546
Zoo	47,240,586	20,596,025	-	-	-	-	-	67,836,611	(16,743,248)	-	-	(4,476,552)	-	(21,219,800)	46,616,811
Zoo animals	6,457,415	673,985	-	(1,224,735)	-	-	(753,340)	5,153,325	(860)	30,359	259,149	(289,349)	-	(701)	5,152,624
Hawker stalls	8,577,889	-	-	-	-	-	-	8,577,889	(6,330,711)	-	-	(378,756)	-	(6,709,467)	1,868,422
Environmental facilities	1,926,911	-	-	-	-	-	-	1,926,911	(883,102)	-	-	(160,924)	-	(1,044,026)	882,885
Law enforcement dogs	56,000	-	-	(15,000)	-	-	-	41,000	(38,380)	8,759	-	(4,714)	-	(34,335)	6,665
WIP - Capitalised	-	-	-	-	22,647,430	-	-	22,647,430	-	-	-	-	-	-	22,647,430
WIP	141,091,548	-	94,025,221	-	(135,817,678)	-	-	99,299,091	-	-	-	-	-	-	99,299,091
	1,555,315,345	152,024,790	94,025,221	(10,665,128)	(113,170,248)	-	(753,340)	1,676,776,640	(689,389,579)	125,736	259,149	(83,845,355)	-	(772,850,049)	903,926,591
Electrical Infrastructure															
Electrical Infrastructure	3,554,375,624	272,936,073	-	(2,644,920)	-	-	(8,663,517)	3,816,003,260	(301,691,553)	1,717,339	9,263,387	(106,479,954)	(3,376,525)	(400,567,306)	3,415,435,954
Work in Progress	218,097,058	-	69,299,570	-	(109,247,160)	-	-	178,149,468	-	-	-	-	-	-	178,149,468
	3,772,472,682	272,936,073	69,299,570	(2,644,920)	(109,247,160)	-	(8,663,517)	3,994,152,728	(301,691,553)	1,717,339	9,263,387	(106,479,954)	(3,376,525)	(400,567,306)	3,593,585,422

Mangaung Metropolitan Municipality
Appendix B to the Consolidated Annual
Financial Statements - Unaudited

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Infrastructure															
Roads	2,709,549,617	68,177,592	-	-	-	-	-	2,777,727,209	(963,646,494)	-	-	(186,365,206)	-	(1,150,011,700)	1,627,715,509
Bridges	110,317,619	-	-	-	-	-	-	110,317,619	(14,052,735)	-	-	(2,002,676)	-	(16,055,411)	94,262,208
Intersections	6,241,985	-	-	-	-	-	-	6,241,985	(4,319,200)	-	-	(497,661)	-	(4,816,861)	1,425,124
Road furniture	8,414,581	-	-	-	-	-	-	8,414,581	(6,532,398)	-	-	(557,020)	-	(7,089,418)	1,325,163
Sidewalks	173,172,011	33,720,280	-	-	-	-	-	206,892,291	(87,384,872)	-	-	(18,114,367)	-	(105,499,239)	101,393,052
Rail road sidings	23,337,859	-	-	-	-	-	-	23,337,859	(11,992,532)	-	-	(1,991,746)	-	(13,984,278)	9,353,581
Sanitation	1,510,573,473	364,353,185	-	-	-	-	-	1,874,926,658	(357,967,609)	-	-	(62,867,234)	-	(420,834,843)	1,454,091,815
Water	1,998,307,343	169,093,827	-	(5,201,238)	-	-	-	2,162,199,932	(473,120,584)	942,676	-	(108,931,618)	-	(581,109,526)	1,581,090,406
Stormwater	116,088,770	294,987	-	-	-	-	-	116,383,757	(13,961,706)	-	-	(4,761,987)	-	(18,723,693)	97,660,064
Water meters	324,044,899	69,793,110	-	(47,009,845)	-	-	-	346,828,164	(130,140,157)	26,961,503	-	(14,438,204)	-	(117,616,858)	229,211,306
WIP - Capitalised	-	-	-	-	145,244,014	-	-	145,244,014	-	-	-	-	-	-	145,244,014
WIP	903,317,812	-	1,124,371,707	-	(827,536,047)	-	-	1,200,153,472	-	-	-	-	-	-	1,200,153,472
	7,883,365,969	705,432,981	1,124,371,707	(52,211,083)	(682,292,033)	-	-	8,978,667,541	(2,063,118,287)	27,904,179	-	(400,527,719)	-	(2,435,741,827)	6,542,925,714
Other PPE															
Fire arms	927,145	430,978	-	-	-	-	-	1,358,123	(271,528)	-	-	(111,037)	-	(382,565)	975,558
Owned Fleet	167,197,339	-	-	(129,343)	-	(105,769)	-	166,962,227	(55,217,027)	136,025	-	(5,118,521)	(108,867)	(60,308,390)	106,653,837
Tools, plant & equipment	15,313,983	7,320,759	-	(10,568)	-	105,769	-	22,729,943	(5,609,145)	(50,667)	-	(2,769,429)	-	(8,429,241)	14,300,702
Furniture & Office equipment	42,501,444	19,593,195	-	(2,294,539)	-	-	-	59,800,100	(10,679,387)	1,396,162	-	(9,176,801)	-	(18,460,026)	41,340,074
Leased Equipment	19,540,218	11,524,939	-	(19,540,218)	-	-	-	11,524,939	(19,540,218)	19,540,218	-	(573,098)	-	(573,098)	10,951,841
Leased Fleet	158,439,006	20,270,935	-	(977,840)	-	-	-	177,732,101	(11,488,386)	81,349	-	(9,307,447)	(565,138)	(21,279,622)	156,452,479
Centlec - Owned Fleet	102,188,617	5,461,190	-	(4,180,337)	-	-	-	103,469,470	(48,014,377)	3,864,462	-	(10,791,249)	-	(54,941,164)	48,528,306
Centlec - Equipment	42,503,044	10,313,192	-	(1,702,512)	-	-	-	51,113,724	(16,358,726)	1,268,072	-	(7,915,835)	-	(23,006,489)	28,107,235
Centlec - Leased Assets	2,064,836	969,285	-	(173,439)	-	-	-	2,860,682	(360,106)	172,769	-	(768,932)	-	(956,269)	1,904,413
	550,675,632	75,884,473	-	(29,008,796)	-	-	-	597,551,309	(167,538,900)	26,408,390	-	(46,532,349)	(674,005)	(188,336,864)	409,214,445
Heritage assets															
Buildings	317,080,000	-	-	-	-	-	-	317,080,000	-	-	-	-	-	-	317,080,000
Statues	4,488,687	-	-	-	-	-	-	4,488,687	-	-	-	-	-	-	4,488,687
	321,568,687	-	-	-	-	-	-	321,568,687	-	-	-	-	-	-	321,568,687
Intangible assets															
Intangible assets	139,376,332	6,741,419	-	(8,170,562)	-	-	-	137,947,189	(23,538,265)	8,170,562	-	(13,627,750)	-	(28,995,453)	108,951,736
	139,376,332	6,741,419	-	(8,170,562)	-	-	-	137,947,189	(23,538,265)	8,170,562	-	(13,627,750)	-	(28,995,453)	108,951,736
Investment property															
Investment property	1,636,496,363	-	-	(176,000)	-	-	(138,813,363)	1,497,507,000	-	-	-	-	-	-	1,497,507,000
	1,636,496,363	-	-	(176,000)	-	-	(138,813,363)	-	-	-	-	-	-	-	-

Mangaung Metropolitan Municipality
Appendix B to the Consolidated Annual
Financial Statements - Unaudited

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total															
Land	1,436,875,735	35,001,000	-	(224,467)	-	(7,761,790)	-	1,463,890,478	-	-	-	-	-	-	1,463,890,478
Buildings	1,303,904,026	7,434,342	49,843,761	(738,530)	(7,434,342)	-	-	1,353,009,257	(73,302,172)	244,406	-	(43,750,580)	-	(116,808,346)	1,236,200,911
Community Assets	1,555,315,345	152,024,790	94,025,221	(10,665,128)	(113,170,248)	-	(753,340)	1,676,776,640	(689,389,579)	125,736	259,149	(83,845,355)	-	(772,850,049)	903,926,591
Electrical Infrastructure	3,772,472,682	272,936,073	69,299,570	(2,644,920)	(109,247,160)	-	(8,663,517)	3,994,152,728	(301,691,553)	1,717,339	9,263,387	(106,479,954)	(3,376,525)	(400,567,306)	3,593,585,422
Infrastructure	7,883,365,969	705,432,981	1,124,371,707	(52,211,083)	(682,292,033)	-	-	8,978,667,541	(2,063,118,287)	27,904,179	-	(400,527,719)	-	(2,435,741,827)	6,542,925,714
Other PPE	550,675,632	75,884,473	-	(29,008,796)	-	-	-	597,551,309	(167,538,900)	26,408,390	-	(46,532,349)	(674,005)	(188,336,864)	409,214,445
Heritage assets	321,568,687	-	-	-	-	-	-	321,568,687	-	-	-	-	-	-	321,568,687
Intangible assets	139,376,332	6,741,419	-	(8,170,562)	-	-	-	137,947,189	(23,538,265)	8,170,562	-	(13,627,750)	-	(28,995,453)	108,951,736
Investment property	1,636,496,363	-	-	(176,000)	-	-	(138,813,363)	1,497,507,000	-	-	-	-	-	-	-
	18,600,050,771	1,255,455,078	1,337,540,259	(103,839,486)	(912,143,783)	(7,761,790)	(148,230,220)	20,021,070,829	(3,318,578,756)	64,570,612	9,522,536	(694,763,707)	(4,050,530)	(3,943,299,845)	14,580,263,984

Mangaung Metropolitan Municipality
Appendix B to the Consolidated Annual Financial Statements - Unaudited

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

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land															
Land	1,442,238,700	1,577,533	-	-	-	(9,240,000)	2,299,500	1,436,875,733	-	-	-	-	-	-	1,436,875,733
	1,442,238,700	1,577,533	-	-	-	(9,240,000)	2,299,500	1,436,875,733	-	-	-	-	-	-	1,436,875,733
Buildings															
Buildings	1,171,008,501	99,727,801	-	-	-	-	14,203,166	1,284,939,468	(49,524,155)	-	12,325,623	(36,103,640)	-	(73,302,172)	1,211,637,296
Work in Progress	93,098,218	-	25,340,922	-	(99,474,582)	-	-	18,964,558	-	-	-	-	-	-	18,964,558
	1,264,106,719	99,727,801	25,340,922	-	(99,474,582)	-	14,203,166	1,303,904,026	(49,524,155)	-	12,325,623	(36,103,640)	-	(73,302,172)	1,230,601,854
Community Assets															
Parks	128,679,166	6,014,564	-	-	-	-	-	134,693,730	(39,219,486)	-	-	(13,379,642)	-	(52,599,128)	82,094,602
Fresh produce market	54,402,649	1,368,364	-	-	-	-	-	55,771,013	(27,931,146)	-	-	(4,626,873)	-	(32,558,019)	23,212,994
Swimming pools	49,332,792	2,625,292	-	-	-	-	-	51,958,084	(12,223,087)	-	-	(2,990,995)	(383,575)	(15,597,657)	36,360,427
Cemeteries	51,710,643	-	-	-	-	-	-	51,710,643	(16,988,226)	-	-	(3,060,550)	-	(20,048,776)	31,661,867
Landfill sites	176,887,656	-	-	-	-	-	(23,007,454)	153,880,202	(101,807,730)	-	-	(5,863,354)	-	(107,671,084)	46,209,118
Quarry sites	319,041,815	-	-	-	-	-	31,818,063	350,859,878	(226,809,387)	-	-	(10,582,431)	-	(237,391,818)	113,468,060
Sports grounds	355,163,379	400,025	-	-	-	-	-	355,563,404	(92,956,491)	-	-	(15,303,798)	(50,900)	(108,311,189)	247,252,215
Sport stadiums	126,328,376	12,586,678	-	-	-	-	-	138,915,054	(44,836,828)	-	-	(11,183,332)	-	(56,020,160)	82,894,894
Law enforcement cameras	52,566,237	4,049,638	-	-	-	-	-	56,615,875	(25,054,613)	-	-	(10,142,934)	-	(35,197,547)	21,418,328
Zoo	47,240,586	-	-	-	-	-	-	47,240,586	(13,225,758)	-	-	(3,517,490)	-	(16,743,248)	30,497,338
Zoo animals	5,637,629	1,226,380	-	(860,499)	-	-	453,908	6,457,418	(726)	20,305	231,636	(252,008)	-	(793)	6,456,625
Hawker stalls	8,577,889	-	-	-	-	-	-	8,577,889	(5,450,832)	-	-	(796,291)	(83,589)	(6,330,712)	2,247,177
Environmental facilities	1,926,911	-	-	-	-	-	-	1,926,911	(722,517)	-	-	(160,586)	-	(883,103)	1,043,808
Law enforcement dogs	61,500	-	-	(5,500)	-	-	-	56,000	(34,096)	4,116	-	(8,400)	-	(38,380)	17,620
Work in progress	71,159,478	-	97,433,348	-	(27,501,278)	-	-	141,091,548	-	-	-	-	-	-	141,091,548
	1,448,716,706	28,270,941	97,433,348	(865,999)	(27,501,278)	-	9,264,517	1,555,318,235	(607,260,923)	24,421	231,636	(81,868,684)	(518,064)	(689,391,614)	865,926,621
Electrical Infrastructure															
Electrical Infrastructure	2,363,892,934	166,787,217	-	(23,743,190)	-	-	1,047,438,663	3,554,375,624	(637,031,745)	13,014,419	375,765,481	(53,439,708)	-	(301,691,553)	3,252,684,071
Work in Progress	139,688,579	-	99,370,731	-	(20,962,252)	-	-	218,097,058	-	-	-	-	-	-	218,097,058
	2,503,581,513	166,787,217	99,370,731	(23,743,190)	(20,962,252)	-	1,047,438,663	3,772,472,682	(637,031,745)	13,014,419	375,765,481	(53,439,708)	-	(301,691,553)	3,470,781,129
Infrastructure															
Roads	2,666,317,070	43,232,547	-	-	-	-	-	2,709,549,617	(766,471,035)	-	-	(197,121,878)	(53,595)	(963,646,508)	1,745,903,109
Bridges	110,317,619	-	-	-	-	-	-	110,317,619	(12,060,152)	-	-	(1,992,583)	-	(14,052,735)	96,264,884
Intersections	6,154,449	87,536	-	-	-	-	-	6,241,985	(2,903,418)	-	-	(1,415,782)	-	(4,319,200)	1,922,785
Road furniture	8,414,581	-	-	-	-	-	-	8,414,581	(5,629,428)	-	-	(902,970)	-	(6,532,398)	1,882,183
Sidewalks	173,172,011	-	-	-	-	-	-	173,172,011	(71,299,784)	-	-	(16,085,089)	-	(87,384,873)	85,787,138
Rail road sidings	23,337,859	-	-	-	-	-	-	23,337,859	(6,574,474)	-	-	(5,418,059)	-	(11,992,533)	11,345,326
Sanitation	1,404,486,364	106,087,109	-	-	-	-	-	1,510,573,473	(287,875,124)	-	-	(68,163,908)	(1,928,576)	(357,967,608)	1,152,605,865
Water	1,711,683,342	283,575,360	-	-	-	-	-	1,995,258,702	(364,648,071)	-	-	(107,201,255)	(84,301)	(471,933,627)	1,523,325,075
Stormwater	76,057,949	40,030,821	-	-	-	-	-	116,088,770	(9,706,260)	-	-	(4,255,446)	-	(13,961,706)	102,127,064
Water meters	253,677,740	70,367,159	-	-	-	-	-	324,044,899	(104,576,366)	-	-	(25,563,790)	-	(130,140,156)	193,904,743
WIP	602,636,037	-	778,379,289	-	(477,697,514)	-	-	903,317,812	-	-	-	-	-	-	903,317,812
	7,036,255,021	543,380,532	778,379,289	-	(477,697,514)	-	-	7,880,317,328	1,631,744,112)	-	-	(428,120,760)	(2,066,472)	2,061,931,344)	5,818,385,984

Mangaung Metropolitan Municipality
Appendix B to the Consolidated Annual
Financial Statements - Unaudited

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

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Other PPE															
Fire arms	790,258	136,887	-	-	-	-	-	927,145	(215,706)	-	-	(55,822)	-	(271,528)	655,617
MMM - Owned Fleet	166,082,865	1,114,474	-	-	-	-	167,197,339	(47,717,927)	-	-	-	(5,168,824)	(2,330,276)	(55,217,027)	111,980,312
MMM - Tools, plant & equipment	13,756,490	1,572,187	-	(14,694)	-	-	15,313,983	(3,725,195)	4,981	-	(1,888,931)	-	-	(5,609,145)	9,704,838
MMM - Furniture & Office equipment	31,797,271	10,806,285	-	(102,111)	-	-	42,501,445	(5,575,106)	52,076	-	(5,156,357)	-	-	(10,679,387)	31,822,058
MMM - Leased Equipment	19,540,218	-	-	-	-	-	19,540,218	(17,914,104)	-	-	(1,626,114)	-	-	(19,540,218)	-
MMM - Leased Fleet	137,531,079	20,907,927	-	-	-	-	158,439,006	(2,306,682)	-	-	(8,107,142)	-	(1,074,562)	(11,488,386)	146,950,620
Centec - Owned Fleet	88,952,681	23,057,436	-	(9,821,500)	-	-	102,188,617	(45,787,085)	9,131,706	-	(10,999,089)	-	(359,909)	(48,014,377)	54,174,240
Centec - Office Equipment	32,346,164	11,455,971	-	(1,299,091)	-	-	42,503,044	(11,412,768)	870,273	-	(5,816,231)	-	-	(16,358,726)	26,144,318
Centec - Leased Assets	845,713	1,623,993	-	(404,870)	-	-	2,064,836	(560,711)	404,870	-	(204,266)	-	-	(360,107)	1,704,729
	491,642,739	70,675,160	-	(11,642,266)	-	-	550,675,633	(135,215,284)	10,463,906	-	(39,022,776)	-	(3,764,747)	(167,538,901)	383,136,732
Heritage assets															
Buildings	317,080,000	-	-	-	-	-	317,080,000	-	-	-	-	-	-	-	317,080,000
Statuses	4,488,687	-	-	-	-	-	4,488,687	-	-	-	-	-	-	-	4,488,687
	321,568,687	-	-	-	-	-	321,568,687	-	-	-	-	-	-	-	321,568,687
Intangible assets															
Intangible assets	123,849,224	18,814,107	-	(2,724,000)	(562,999)	-	139,376,332	(15,574,362)	2,724,000	-	(10,687,903)	-	-	(23,538,265)	115,838,067
	123,849,224	18,814,107	-	(2,724,000)	(562,999)	-	139,376,332	(15,574,362)	2,724,000	-	(10,687,903)	-	-	(23,538,265)	115,838,067
Investment property															
Investment property	1,643,033,363	-	-	-	-	(6,537,000)	1,636,496,363	-	-	-	-	-	-	-	1,636,496,363
	1,643,033,363	-	-	-	-	(6,537,000)	1,636,496,363	-	-	-	-	-	-	-	1,636,496,363
Total															
Land	1,442,238,700	1,577,533	-	-	-	(9,240,000)	2,299,500	1,436,875,733	-	-	-	-	-	-	1,436,875,733
Buildings	1,264,106,719	99,727,801	25,340,922	-	(99,474,582)	-	14,203,166	1,303,904,026	(49,524,155)	-	12,325,623	(36,103,640)	-	(73,302,172)	1,230,601,854
Community Assets	1,448,716,706	28,270,941	97,433,348	(865,999)	(27,501,278)	-	9,264,517	1,555,318,235	(607,260,923)	24,421	231,636	(81,868,684)	(518,064)	(689,391,614)	865,926,621
Electrical Infrastructure	2,503,581,513	166,787,217	99,370,731	(23,743,190)	(20,962,252)	-	1,047,438,663	3,772,472,682	(637,031,745)	13,014,419	375,765,481	(53,439,708)	-	(301,691,553)	3,470,781,129
Infrastructure	7,036,255,021	543,380,532	778,379,289	-	(477,697,514)	-	-	7,880,317,328	1,631,744,112)	-	-	(428,120,760)	(2,066,472)	2,061,931,344)	5,818,385,984
Other PPE	491,642,739	70,675,160	-	(11,642,266)	-	-	-	550,675,633	(135,215,284)	10,463,906	-	(39,022,776)	(3,764,747)	(167,538,901)	383,136,732
Heritage assets	321,568,687	-	-	-	-	-	-	321,568,687	-	-	-	-	-	-	321,568,687
Intangible assets	123,849,224	18,814,107	-	(2,724,000)	(562,999)	-	-	139,376,332	(15,574,362)	2,724,000	-	(10,687,903)	-	(23,538,265)	115,838,067
Investment property	1,643,033,363	-	-	-	-	(6,537,000)	-	1,636,496,363	-	-	-	-	-	-	1,636,496,363
	6,274,992,672	929,233,291	1,000,524,290	(38,975,455)	(626,198,625)	(15,777,000)	1,073,205,846	8,597,005,019	3,076,350,581)	26,226,746	388,322,740	(649,243,471)	(6,349,283)	3,317,393,849)	3,643,114,807

Mangaung Metropolitan Municipality
Appendix D to the Consolidated Annual Financial Statements - Unaudited

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

**Current Year
30 June 2016**

	Actual Income	Actual Expenditure	Surplus /(Deficit)
	Rand	Rand	Rand
Municipality			
City Manager	-	128,515,235	(128,515,235)
Executive Mayor	-	180,091,455	(180,091,455)
Corporate services	6,661,143	236,206,543	(229,545,400)
Finance	1,182,529,922	237,204,546	945,325,376
Social Services	62,064,891	376,796,312	(314,731,421)
Planning	27,959,415	118,292,168	(90,332,753)
Human Settlement and Housing	36,753,881	125,524,373	(88,770,492)
Economic and Rural Development	3,672	30,652,772	(30,649,100)
Engineering Services	363,955,221	991,959,037	(628,003,816)
Water Services	724,220,325	861,507,389	(137,287,064)
Waste and Fleet Management Services	236,036,260	291,155,116	(55,118,856)
Miscellaneous Services	1,031,066,105	488,231,851	542,834,254
Strategic services and Service Delivery	-	42,618,016	(42,618,016)
Electricity - Centlec (SOC) Ltd	2,038,883,371	1,853,151,195	185,732,176
	5,710,134,206	5,961,906,008	(251,771,802)

Mangaung Metropolitan Municipality
Appendix E(1) to the Consolidated Annual Financial Statements - Audited

**Actual versus Budget(Revenue and
Expenditure) for the year ended 30 June
2016**

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var
Revenue				
Property rates	810,476,472	745,311,119	65,165,353	8.7
Service charges	2,891,918,204	3,225,981,742	(334,063,538)	(10.4)
Rental of facilities and equipment	33,243,326	33,298,212	(54,886)	(0.2)
Interest received (trading)	175,200,456	155,006,984	20,193,472	13.0
Agency services	4,788,455	6,500,000	(1,711,545)	(26.3)
Licences and permits	656,529	1,010,132	(353,603)	(35.0)
Fines revenue	51,082,513	71,361,000	(20,278,487)	(28.4)
Other income	125,098,987	1,130,507,622	(1,005,408,635)	(88.9)
Government grants and subsidies	1,710,171,686	1,493,912,872	216,258,814	14.5
Interest received - investment	45,387,094	71,141,145	(25,754,051)	(36.2)
	5,848,023,722	6,934,030,828	(1,086,007,106)	(15.7)
Expenses				
Personnel	(1,423,526,305)	(1,442,519,212)	18,992,907	(1.3)
Remuneration of councillors	(52,421,659)	(54,215,591)	1,793,932	(3.3)
Depreciation, amortisation and asset impairment	(698,919,814)	(491,876,713)	(207,043,101)	42.1
Finance costs	(140,680,324)	(142,469,808)	1,789,484	(1.3)
Debt impairment	(394,970,010)	(242,626,112)	(152,343,898)	62.8
Repairs and maintenance - General	(491,163,818)	(436,885,408)	(54,278,410)	12.4
Bulk purchases	(1,758,933,035)	(1,728,413,548)	(30,519,487)	1.8
Contracted Services	(494,628,031)	(422,169,513)	(72,458,518)	17.2
Transfers and Subsidies	(5,196,378)	(80,042,362)	74,845,984	(93.5)
General Expenses	(474,115,484)	(896,991,245)	422,875,761	(47.1)
	(5,934,554,858)	(5,938,209,512)	3,654,654	(0.1)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(30,021,902)	269,750	(30,291,652)	(11,229.5)
Fair value adjustments	(139,118,141)	-	(139,118,141)	-
Actuarial gains/losses	(388,000)	-	(388,000)	-
Taxation	4,287,372	-	4,287,372	-
	(165,240,671)	269,750	(165,510,421)	(61,357.0)
Net surplus/ (deficit) for the year	(251,771,807)	996,091,066	(1,247,862,873)	(125.3)

Mangaung Metropolitan Municipality
Appendix E(2) to the Consolidated Annual Financial Statements - Audited

Budget Analysis of Capital Expenditure as at 30 June
2016

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %
City Manager	-	-	-	-
Executive Mayor	-	-	-	-
Corporate Services	31,302,159	40,798,768	9,496,609	23
Finance	6,032,984	5,604,699	(428,285)	(8)
Social Services	48,800,060	73,582,714	24,782,654	34
Planning	62,368,420	146,855,360	84,486,940	58
Human Settlement and Housing	84,420,513	60,200,000	(24,220,513)	(40)
Economic and Rural Development	10,218,157	15,389,182	5,171,025	34
Engineering Services	794,164,233	825,746,560	31,582,327	4
Water Services	247,203,898	311,033,478	63,829,580	21
Waste and Fleet Management	78,066,918	105,846,000	27,779,082	26
Miscellaneous Services	-	-	-	-
Strategic Projects and Service Delivery Regulation	21,535,723	20,000,000	(1,535,723)	(8)
Electricity Services	246,229,941	246,122,724	(107,217)	-
	1,630,343,006	1,851,179,485	220,836,479	12

Mangaung Metropolitan Municipality
Appendix G1 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard											
Governance and administration	2,826,737,221	(35,781,558)	2,790,955,663	-		2,790,955,663	2,238,237,202		(552,718,461)	80 %	79 %
Executive and council	1,711,932	-	1,711,932	-		1,711,932	-		(1,711,932)	- %	- %
Budget and treasury office	2,758,087,426	(35,781,558)	2,722,305,868	-		2,722,305,868	2,213,596,027		(508,709,841)	81 %	80 %
Corporate services	66,937,863	-	66,937,863	-		66,937,863	24,641,175		(42,296,688)	37 %	37 %
Community and public safety	390,380,171	(325,626)	390,054,545	-		390,054,545	78,347,486		(311,707,059)	20 %	20 %
Community and social services	5,855,498	-	5,855,498	-		5,855,498	6,594,337		738,839	113 %	113 %
Sport and recreation	2,079,664	-	2,079,664	-		2,079,664	2,206,733		127,069	106 %	106 %
Public safety	73,880,862	(317,626)	73,563,236	-		73,563,236	52,147,762		(21,415,474)	71 %	71 %
Housing	308,541,523	-	308,541,523	-		308,541,523	17,397,101		(291,144,422)	6 %	6 %
Health	22,624	(8,000)	14,624	-		14,624	1,553		(13,071)	11 %	7 %
Economic and environmental services	9,801,402	(40,883)	9,760,519	-		9,760,519	7,114,060		(2,646,459)	73 %	73 %
Planning and development	7,095,753	-	7,095,753	-		7,095,753	5,515,289		(1,580,464)	78 %	78 %
Road transport	2,472,199	(34,043)	2,438,156	-		2,438,156	1,036,755		(1,401,401)	43 %	42 %
Environmental protection	233,450	(6,840)	226,610	-		226,610	562,016		335,406	248 %	241 %
Trading services	4,245,266,975	(523,802,393)	3,721,464,582	-		3,721,464,582	3,363,094,677		(358,369,905)	90 %	79 %
Electricity	2,648,133,985	(269,482,293)	2,378,651,692	-		2,378,651,692	2,038,883,371		(339,768,321)	86 %	77 %
Water	975,462,824	(212,509,252)	762,953,572	-		762,953,572	724,220,325		(38,733,247)	95 %	74 %
Waste water management	355,690,253	(38,158,606)	317,531,647	-		317,531,647	342,543,005		25,011,358	108 %	96 %
Waste management	265,979,913	(3,652,242)	262,327,671	-		262,327,671	257,447,976		(4,879,695)	98 %	97 %
Other	22,065,296	-	22,065,296	-		22,065,296	23,340,782		1,275,486	106 %	106 %
Other	22,065,296	-	22,065,296	-		22,065,296	23,340,782		1,275,486	106 %	106 %
Total Revenue - Standard	7,494,251,065	(559,950,460)	6,934,300,605	-		6,934,300,605	5,710,134,207		(1,224,166,398)	82 %	76 %

Mangaung Metropolitan Municipality
Appendix G1 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard											
Governance and administration	1,407,998,828	(100,616,648)	1,307,382,180	6,277,403	-	1,313,659,583	1,454,419,821	-	140,760,238	111 %	103 %
Executive and council	390,291,419	9,153,338	399,444,757	(17,690,327)	-	381,754,430	396,363,851	-	14,609,421	104 %	102 %
Budget and treasury office	647,811,145	(89,056,179)	558,754,966	15,000,000	-	573,754,966	710,431,821	-	136,676,855	124 %	110 %
Corporate services	369,896,264	(20,713,807)	349,182,457	8,967,730	-	358,150,187	347,624,149	-	(10,526,038)	97 %	94 %
Community and public safety	578,698,118	24,206,612	602,904,730	(7,097,140)	-	595,807,590	481,349,130	-	(114,458,460)	81 %	83 %
Community and social services	184,730,333	(10,183,929)	174,546,404	(80,000)	-	174,466,404	130,626,378	-	(43,840,026)	75 %	71 %
Sport and recreation	51,111,592	4,921,130	56,032,722	(6,749,110)	-	49,283,612	28,633,713	-	(20,649,899)	58 %	56 %
Public safety	244,730,327	13,976,767	258,707,094	-	-	258,707,094	212,873,699	-	(45,833,395)	82 %	87 %
Housing	84,296,236	16,818,468	101,114,704	800,000	-	101,914,704	100,455,207	-	(1,459,497)	99 %	119 %
Health	13,829,630	(1,325,824)	12,503,806	(1,068,030)	-	11,435,776	8,760,133	-	(2,675,643)	77 %	63 %
Economic and environmental services	512,101,998	(5,282,779)	506,819,219	1,315,737	-	508,134,956	824,549,182	-	316,414,226	162 %	161 %
Planning and development	99,522,365	2,156,216	101,678,581	1,315,737	-	102,994,318	87,186,814	-	(15,807,504)	85 %	88 %
Road transport	380,573,999	(5,123,507)	375,450,492	-	-	375,450,492	714,724,681	-	339,274,189	190 %	188 %
Environmental protection	32,005,634	(2,315,488)	29,690,146	-	-	29,690,146	22,637,687	-	(7,052,459)	76 %	71 %
Trading services	3,674,574,280	(185,113,383)	3,489,460,897	230,000	-	3,489,690,897	3,184,005,490	-	(305,685,407)	91 %	87 %
Electricity	2,320,960,098	(188,781,131)	2,132,178,967	-	-	2,132,178,967	1,853,167,405	-	(279,011,562)	87 %	80 %
Water	858,704,211	2,374,841	861,079,052	-	-	861,079,052	861,507,389	-	428,337	100 %	100 %
Waste water management	266,875,183	(3,166,923)	263,708,260	-	-	263,708,260	267,398,788	-	3,690,528	101 %	100 %
Waste management	228,034,788	4,459,830	232,494,618	230,000	-	232,724,618	201,931,908	-	(30,792,710)	87 %	89 %
Other	33,552,517	(1,910,000)	31,642,517	(726,000)	-	30,916,517	17,582,383	-	(13,334,134)	57 %	52 %
Other	33,552,517	(1,910,000)	31,642,517	(726,000)	-	30,916,517	17,582,383	-	(13,334,134)	57 %	52 %
Total Expenditure - Standard	6,206,925,741	(268,716,198)	5,938,209,543	-	-	5,938,209,543	5,961,906,006	-	23,696,463	100 %	96 %
Surplus/(Deficit) for the year	1,287,325,324	(291,234,262)	996,091,062	-	-	996,091,062	(251,771,799)	-	1,247,862,861	(25)%	(20)%

Mangaung Metropolitan Municipality
Appendix G2 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote									
Vote 1 - City Manager	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 3 - Corporate Services	13,304,124	-	13,304,124	-	13,304,124	6,661,143	(6,642,981)	50 %	50 %
Vote 4 - Finance	1,269,360,839	(167,761,698)	1,101,599,141	-	1,101,599,141	1,182,529,922	80,930,781	107 %	93 %
Vote 5 - Social Services	81,544,980	(366,149)	81,178,831	-	81,178,831	62,064,891	(19,113,940)	76 %	76 %
Vote 6 - Planning	28,189,621	-	28,189,621	-	28,189,621	27,959,415	(230,206)	99 %	99 %
Vote 7 - Human Settlement and Housing	364,266,750	-	364,266,750	-	364,266,750	36,753,881	(327,512,869)	10 %	10 %
Vote 8 - Economic and Rural Development	556,899	-	556,899	-	556,899	3,672	(553,227)	1 %	1 %
Vote 9 - Engineering Services	357,012,611	(38,158,606)	318,854,005	-	318,854,005	363,955,221	45,101,216	114 %	102 %
Vote 10 - Water Services	975,462,824	(212,509,252)	762,953,572	-	762,953,572	724,220,325	(38,733,247)	95 %	74 %
Vote 11 - Waste and Fleet Management	265,979,913	(3,652,242)	262,327,671	-	262,327,671	236,036,260	(26,291,411)	90 %	89 %
Vote 12 - Miscellaneous Services	1,490,438,519	131,980,140	1,622,418,659	-	1,622,418,659	1,031,066,105	(591,352,554)	64 %	69 %
Vote 13 - Regional Operations	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 14 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 15 - Electricity - Centlec (SOC) Ltd	2,648,133,985	(269,482,293)	2,378,651,692	-	2,378,651,692	2,038,883,371	(339,768,321)	86 %	77 %
Fresh Produce Market (2015)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Total Revenue by Vote	7,494,251,065	(559,950,100)	6,934,300,965	-	6,934,300,965	5,710,134,206	(1,224,166,759)	82 %	76 %
Expenditure by Vote to be appropriated									
Vote 1 - City Manager	56,089,417	14,074,000	70,163,417	-	70,163,417	128,515,235	58,351,818	183 %	229 %
Vote 2 - Executive Mayor	203,541,677	550,149	204,091,826	-	204,091,826	180,091,455	(24,000,371)	88 %	88 %
Vote 3 - Corporate Services	298,844,096	870,000	299,714,096	-	299,714,096	236,206,544	(63,507,552)	79 %	79 %
Vote 4 - Finance	286,591,375	(4,815,529)	281,775,846	-	281,775,846	237,204,546	(44,571,300)	84 %	83 %
Vote 5 - Social Services	474,628,406	1,900,003	476,528,409	-	476,528,409	376,796,312	(99,732,097)	79 %	79 %
Vote 6 - Planning	135,323,531	555,252	135,878,783	-	135,878,783	118,292,168	(17,586,615)	87 %	87 %
Vote 7 - Human Settlement and Housing	119,186,262	13,298,468	132,484,730	-	132,484,730	125,524,373	(6,960,357)	95 %	105 %
Vote 8 - Economic and Rural Development	47,671,885	-	47,671,885	-	47,671,885	30,652,772	(17,019,113)	64 %	64 %
Vote 9 - Engineering Services	651,923,130	(9,620,514)	642,302,616	-	642,302,616	991,959,037	349,656,421	154 %	152 %
Vote 10 - Water Services	858,704,211	2,374,841	861,079,052	-	861,079,052	861,507,389	428,337	100 %	100 %
Vote 11 - Waste and Fleet Management	299,023,695	(15,881,087)	283,142,608	-	283,142,608	291,155,116	8,012,508	103 %	97 %
Vote 12 - Miscellaneous services	396,497,763	(83,240,650)	313,257,113	-	313,257,113	488,231,851	174,974,738	156 %	123 %
Vote 14 - Strategic Projects and Service Delivery Regulation	57,940,195	-	57,940,195	-	57,940,195	42,618,016	(15,322,179)	74 %	74 %
Vote 15 - Electricity - Centlec (SOC) Ltd	2,320,960,098	(188,781,131)	2,132,178,967	-	2,132,178,967	1,853,151,195	(279,027,772)	87 %	80 %
Fresh Produce Market (2015)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Total Expenditure by Vote	6,206,925,741	(268,716,198)	5,938,209,543	-	5,938,209,543	5,961,906,009	23,696,466	100 %	96 %
Surplus/(Deficit) for the year	1,287,325,324	(291,233,902)	996,091,422	-	996,091,422	(251,771,803)	(1,247,863,225)	(25)%	(20)%

Mangaung Metropolitan Municipality
Appendix G3 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source											
Property rates	913,073,000	(167,761,698)	745,311,302	-		745,311,302	810,476,472		65,165,170	109 %	89 %
Service charges - electricity revenue	2,411,023,000	(135,304,000)	2,275,719,000	-		2,275,719,000	1,964,498,252		(311,220,748)	86 %	81 %
Service charges - water revenue	876,185,000	(212,509,252)	663,675,748	-		663,675,748	622,627,224		(41,048,524)	94 %	71 %
Service charges - sanitation revenue	235,259,000	(38,158,606)	197,100,394	-		197,100,394	220,157,852		23,057,458	112 %	94 %
Service charges - refuse revenue	93,138,000	(3,652,242)	89,485,758	-		89,485,758	84,729,214		(4,756,544)	95 %	91 %
Rental of facilities and equipment	33,298,000	-	33,298,000	-		33,298,000	32,916,698		(381,302)	99 %	99 %
Interest earned - external investments	154,382,000	(83,241,000)	71,141,000	-		71,141,000	45,387,095		(25,753,905)	64 %	29 %
Interest earned - outstanding debtors	161,227,000	(6,220,000)	155,007,000	-		155,007,000	175,200,454		20,193,454	113 %	109 %
Fines	72,361,000	(1,000,000)	71,361,000	-		71,361,000	51,252,920		(20,108,080)	72 %	71 %
Licences and permits	1,010,132	-	1,010,132	-		1,010,132	656,529		(353,603)	65 %	65 %
Agency services	7,105,000	(604,000)	6,501,000	-		6,501,000	4,788,455		(1,712,545)	74 %	67 %
Transfers recognised - operational	615,255,000	17,792,291	633,047,291	-		633,047,291	655,808,218		22,760,927	104 %	107 %
Other revenue	1,145,439,000	(35,884,000)	1,109,555,000	-		1,109,555,000	210,436,220		(899,118,780)	19 %	18 %
Gains on disposal of PPE	540,000	(270,000)	270,000	-		270,000	-		(270,000)	- %	- %
Total Revenue (excluding capital transfers and contributions)	6,719,295,132	(666,812,507)	6,052,482,625	-		6,052,482,625	4,878,935,603		(1,173,547,022)	81 %	73 %

Mangaung Metropolitan Municipality
Appendix G3 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

2016

Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type										
Employee related costs	1,711,051,000	(268,532,000)	1,442,519,000	-	1,442,519,000	1,414,714,863	-	(27,804,137)	98 %	83 %
Remuneration of councillors	54,216,000	-	54,216,000	-	54,216,000	53,472,431	-	(743,569)	99 %	99 %
Debt impairment	242,626,000	-	242,626,000	-	242,626,000	394,970,009	-	152,344,009	163 %	163 %
Depreciation & asset impairment	527,384,000	(35,508,000)	491,876,000	-	491,876,000	697,169,875	-	205,293,875	142 %	132 %
Finance charges	224,941,000	(83,240,650)	141,700,350	(1,000,000)	140,700,350	141,059,323	-	358,973	100 %	63 %
Bulk purchases	1,728,414,000	-	1,728,414,000	(4,000,000)	1,724,414,000	1,750,186,587	-	25,772,587	101 %	101 %
Other materials	423,657,000	13,228,000	436,885,000	7,577,654	444,462,654	489,530,533	-	45,067,879	110 %	116 %
Contracted services	401,957,000	20,212,000	422,169,000	21,069,279	443,238,279	436,908,540	-	(6,329,739)	99 %	109 %
Transfers and grants	117,571,000	(37,528,000)	80,043,000	-	80,043,000	13,794,034	-	(66,248,966)	17 %	12 %
Other expenditure	775,109,000	121,882,000	896,991,000	(23,646,933)	873,344,067	574,387,187	-	(298,956,880)	66 %	74 %
Total Expenditure	6,206,926,000	(269,486,650)	5,937,439,350	-	5,937,439,350	5,966,193,382	-	28,754,032	100 %	96 %
Surplus/(Deficit)	512,369,132	(397,325,857)	115,043,275	-	115,043,275	(1,087,257,779)	-	1,202,301,054	(945)%	(212)%
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-	860,865,581	793,435,468	-	(67,430,113)	92 %	105 %
Contributions recognised - capital	20,953,000	-	20,953,000	-	20,953,000	37,763,137	-	16,810,137	180 %	180 %
Surplus/(Deficit) after capital transfers & contributions	1,287,326,132	(290,464,276)	996,861,856	-	996,861,856	(256,059,174)	-	1,252,921,030	(26)%	(20)%
Taxation	-	-	-	-	-	4,287,372	-	4,287,372	DIV/0 %	DIV/0 %
Surplus/(Deficit) after taxation	1,287,326,132	(290,464,276)	996,861,856	-	996,861,856	(251,771,802)	-	1,248,633,658	(25)%	(20)%

Mangaung Metropolitan Municipality
Appendix G4 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Capital expenditure - Vote										
Vote 1 - City Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 3 - Corporate Services	29,540,000	11,258,455	40,798,455	-	-	40,798,455	31,302,159	(9,496,296)	77 %	106 %
Vote 4 - Finance	5,605,000	-	5,605,000	-	-	5,605,000	6,032,984	427,984	108 %	108 %
Vote 5 - Social Services	67,601,000	5,981,808	73,582,808	-	-	73,582,808	48,800,060	(24,782,748)	66 %	72 %
Vote 6 - Planning	166,639,000	(19,783,428)	146,855,572	-	-	146,855,572	62,368,420	(84,487,152)	42 %	37 %
Vote 7 - Human Settlement & Housing	60,200,000	-	60,200,000	-	-	60,200,000	84,420,513	24,220,513	140 %	140 %
Vote 8 - Economic & Rural Development	18,853,000	(3,464,250)	15,388,750	-	-	15,388,750	10,218,157	(5,170,593)	66 %	54 %
Vote 9 - Engineering Services	737,187,000	88,559,877	825,746,877	-	-	825,746,877	794,164,233	(31,582,644)	96 %	108 %
Vote 10 - Water services	255,063,000	55,970,608	311,033,608	-	-	311,033,608	247,203,898	(63,829,710)	79 %	97 %
Vote 11 - Waste and Fleet Management	107,846,000	(2,000,000)	105,846,000	-	-	105,846,000	78,066,918	(27,779,082)	74 %	72 %
Vote 12 - Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 13 - Regional Operations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 14 - Strategic Projects & Service Delivery Regulation	20,000,000	-	20,000,000	-	-	20,000,000	21,535,723	1,535,723	108 %	108 %
Vote 15 - Electricity - Centlec (SOC) Ltd	325,357,000	(79,234,000)	246,123,000	-	-	246,123,000	246,229,941	106,941	100 %	76 %
Capital multi-year expenditure sub-total	1,793,891,000	57,289,070	1,851,180,070	-	-	1,851,180,070	1,630,343,006	(220,837,064)	88 %	91 %

Mangaung Metropolitan Municipality
Appendix G4 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard										
Governance and administration	145,150,699	1,032,579	146,183,278	(500,000)	-	145,683,278	153,009,386	7,326,108	105 %	105 %
Executive and council	20,000,000	-	20,000,000	-	-	20,000,000	21,535,723	1,535,723	108 %	108 %
Budget and treasury office	5,604,699	-	5,604,699	-	-	5,604,699	6,032,984	428,285	108 %	108 %
Corporate services	119,546,000	1,032,579	120,578,579	(500,000)	-	120,078,579	125,440,679	5,362,100	104 %	105 %
Community and public safety	130,841,219	12,271,206	143,112,425	(200,000)	-	142,912,425	104,725,390	(38,187,035)	73 %	80 %
Community and social services	55,616,706	5,090,120	60,706,826	(1,850,000)	-	58,856,826	38,456,871	(20,399,955)	65 %	69 %
Sport and recreation	13,040,313	225,876	13,266,189	500,000	-	13,766,189	9,319,820	(4,446,369)	68 %	71 %
Public safety	11,984,200	(3,044,790)	8,939,410	1,150,000	-	10,089,410	7,528,186	(2,561,224)	75 %	63 %
Housing	50,200,000	10,000,000	60,200,000	-	-	60,200,000	49,420,513	(10,779,487)	82 %	98 %
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Economic and environmental services	465,792,327	24,022,193	489,814,520	1,359,040	-	491,173,560	383,475,280	(107,698,280)	78 %	82 %
Planning and development	184,742,220	(25,247,678)	159,494,542	-	-	159,494,542	72,460,883	(87,033,659)	45 %	39 %
Road transport	281,050,107	45,333,871	326,383,978	659,040	-	327,043,018	308,199,393	(18,843,625)	94 %	110 %
Environmental protection	-	3,936,000	3,936,000	700,000	-	4,636,000	2,815,004	(1,820,996)	61 %	DIV/0 %
Trading services	1,051,356,446	17,962,614	1,069,319,060	(659,040)	-	1,068,660,020	989,007,255	(79,652,765)	93 %	94 %
Electricity	325,357,000	(79,234,000)	246,123,000	-	-	246,123,000	246,229,941	106,941	100 %	76 %
Water	255,062,870	55,970,608	311,033,478	-	-	311,033,478	247,203,898	(63,829,580)	79 %	97 %
Waste water management	456,136,576	43,226,006	499,362,582	(659,040)	-	498,703,542	485,964,839	(12,738,703)	97 %	107 %
Waste management	14,800,000	(2,000,000)	12,800,000	-	-	12,800,000	9,608,577	(3,191,423)	75 %	65 %
Other	750,000	2,000,000	2,750,000	-	-	2,750,000	125,693	(2,624,307)	5 %	17 %
Other	750,000	2,000,000	2,750,000	-	-	2,750,000	125,693	(2,624,307)	5 %	17 %
Total Capital Expenditure - Standard	1,793,890,691	57,288,592	1,851,179,283	-	-	1,851,179,283	1,630,343,004	(220,836,279)	88 %	91 %
Funded by:										
National / Provincial Government	754,004,000	106,861,581	860,865,581	-		860,865,581	790,009,562	(70,856,019)	92 %	105 %
Provincial Government	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
District Municipality	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Other transfers and grants	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-	-	860,865,581	790,009,562	(70,856,019)	92 %	105 %
Public contributions & donations	20,952,879	-	20,952,879	-		20,952,879	36,603,064	15,650,185	175 %	175 %
Borrowing	514,256,000	14,673,228	528,929,228	-		528,929,228	390,239,730	(138,689,498)	74 %	76 %
Internally generated funds	504,677,663	(64,245,866)	440,431,797	-		440,431,797	394,408,592	(46,023,205)	90 %	78 %
Total Capital Funding	1,793,890,542	57,288,943	1,851,179,485	-	-	1,851,179,485	1,611,260,948	(239,918,537)	87 %	90 %

Mangaung Metropolitan Municipality
Appendix G5 to the Consolidated Annual Financial Statements - Unaudited
Budgeted Cash Flows
for the year ended 30 June 2016

2016

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	5,166,172,418	(444,897,021)	4,721,275,397	-	4,721,275,397	3,332,542,714	(1,388,732,683)	71 %	65 %
Government - operating	615,255,000	(2,029,000)	613,226,000	-	613,226,000	918,761,614	305,535,614	150 %	149 %
Government - capital	754,004,000	(7,660,000)	746,344,000	-	746,344,000	790,009,562	43,665,562	106 %	105 %
Interest	325,460,493	(153,278,747)	172,181,746	-	172,181,746	188,038,104	15,856,358	109 %	58 %
Dividends	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Payments									
Suppliers and employees	(4,841,807,910)	77,121,430	(4,764,686,480)	-	(4,764,686,480)	(4,131,747,576)	632,938,904	87 %	85 %
Finance charges	(205,371,115)	92,372,565	(112,998,550)	-	(112,998,550)	(7,774)	112,990,776	- %	- %
Transfers and Grants	(43,015,663)	38,696,018	(4,319,645)	-	(4,319,645)	(5,196,378)	(876,733)	120 %	12 %
Net cash flow from/used operating activities	1,770,697,223	(399,674,755)	1,371,022,468	-	1,371,022,468	1,092,400,266	(278,622,202)	80 %	62 %
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	539,500	(539,500)	-	-	-	176,000	176,000	DIV/0 %	33 %
Decrease (Increase) in non-current debtors	-	-	-	-	-	1,653,610	1,653,610	DIV/0 %	DIV/0 %
Decrease (increase) other non-current receivables	-	-	-	-	-	254,896,890	254,896,890	DIV/0 %	DIV/0 %
Interest received	-	-	-	-	-	32,549,446	32,549,446	DIV/0 %	DIV/0 %
Payments									
Capital assets	(1,588,280,322)	(9,834,513)	(1,598,114,835)	-	(1,598,114,835)	(1,485,099,537)	113,015,298	93 %	94 %
Net cash flow from/used investing activities	(1,587,740,822)	(10,374,013)	(1,598,114,835)	-	(1,598,114,835)	(1,195,823,591)	402,291,244	75 %	75 %
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing long term/refinancing	173,000,000	-	173,000,000	-	173,000,000	173,000,000	-	100 %	100 %
Increase (decrease) in consumer deposits	6,000,000	(4,001,070)	1,998,930	-	1,998,930	59,802,841	57,803,911	2,992 %	997 %
Payments									
Repayment of borrowing	(131,135,568)	19,670,335	(111,465,233)	-	(111,465,233)	(116,611,268)	(5,146,035)	105 %	89 %
Net cash flow from/used financing activities	47,864,432	15,669,265	63,533,697	-	63,533,697	116,191,573	52,657,876	183 %	243 %
Net increase/(decrease) in cash held	230,820,833	(394,379,503)	(163,558,670)	-	(163,558,670)	12,768,248	176,326,918	(8)%	6 %

Mangaung Metropolitan Municipality
Appendix H to the Consolidated Annual Financial Statements - Audited
Councillors' Arrear Consumer Accounts (over 90 days)
for the year ended 30 June 2016

Water and Other Services

Surname and Initials	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Botes F R	-	-	-	-	1	-	-	-	-	-	-	-
Lala T S	-	-	-	39	-	118	105	174	346	457	750	146
Lekgela L E	529	-	-	-	-	-	-	-	-	-	-	-
Mashoane E D	25,885	23,619	21,352	19,086	16,822	16,945	14,681	10,019	10,112	5,589	3,203	817
Masoetsa L A	-	-	-	899	-	-	-	-	-	-	-	-
Matsemelela M V	80	-	-	-	-	-	-	-	-	-	-	-
Matsoetlane M J	629	-	-	-	-	-	-	-	7	350	574	810
Mbangane M B	11,789	12,471	13,133	13,883	14,919	16,504	15,100	14,294	14,177	14,177	14,792	12,109
Minnie H	477	426	602	918	1,172	1,429	1,444	441	444	447	450	453
Mononyane M B	36,195	32,706	29,339	27,651	24,136	24,935	15,880	12,274	12,987	6,893	2,550	-
Mpakathe T S	-	-	-	-	1	-	-	618	1,200	2,092	2,307	2,863
Mpheqeka M S	29,257	26,132	22,997	20,153	20,804	17,663	15,245	12,052	12,052	7,652	3,943	233
Mtshwane K J	-	-	-	-	-	2	-	-	306	-	278	-
Naile T J	486	489	492	496	499	502	506	509	513	516	520	523
Ndamande SS	712	712	-	-	-	-	-	-	-	-	-	-
Nkoe M J	70,269	62,396	62,883	62,446	63,317	72,137	72,687	73,023	74,498	75,145	76,649	78,277
Petersen J E	23,096	24,525	23,853	23,217	22,695	22,131	21,624	21,229	20,583	18,536	15,997	15,477
Phajane M A	6,704	7,823	9,076	10,348	10,787	11,009	9,006	10,275	11,512	12,802	14,913	16,244
Siyonzana M A	328	656	-	-	-	-	-	-	-	-	-	-
Thipenyane G	-	-	-	-	-	-	-	536	-	-	-	-
Titi L M	-	-	-	-	-	-	-	1,164	1,717	1,173	1,187	1,297
Ward V W	101,570	93,499	3,263	4,382	5,426	6,552	7,820	11,692	12,690	16,245	17,924	19,779
Grand Total	<u>308.006</u>	<u>285.454</u>	<u>186.990</u>	<u>183.518</u>	<u>180.579</u>	<u>189.927</u>	<u>174.098</u>	<u>168.300</u>	<u>173.144</u>	<u>162.074</u>	<u>156.037</u>	<u>149.028</u>

Electricity Services

Surname and Initials	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Petersen J E	14,618	13,732	12,846	12,846	12,846	12,846	11,960	11,960	11,960	11,960	11,960	11,960
Masoetsa L A	8,496	10,397	8,507	8,448	11,771	15,162	15,243	15,363	15,483	15,605	15,728	15,850
Siyonzana M A	33,496	37,648	40,908	42,388	44,593	45,436	46,129	47,501	49,041	50,492	52,264	54,909
Viviers B J	2,600	1,696	1,526	886	669	399	729	2,417	1,946	2,803	1,614	1,783
Mashoane E D	84,022	84,532	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041	85,041
Zophe N M	869	869	869	869	869	869	869	869	869	869	869	869
Pretorius J C	4,604	6,558	8,930	1,254	1,370	2,713	1,127	-	-	-	-	-
Phajane M A	3,475	3,501	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526	3,526
Nothnagel J	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675	20,675
Grand Total	<u>172.855</u>	<u>179.608</u>	<u>182.828</u>	<u>175.933</u>	<u>181.360</u>	<u>186.667</u>	<u>185.299</u>	<u>187.352</u>	<u>188.541</u>	<u>190.971</u>	<u>191.677</u>	<u>194.613</u>

Mangaung Metropolitan Municipality
Appendix H to the Consolidated Annual Financial Statements - Audited
Councillors' Arrear Consumer Accounts (over 90 days)
for the year ended 30 June 2015

Water and Other Services

Surname and Initials	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Bacela G M	1,645	1,459	1,276	1,107	936	764	590	415	236	58	-	-
Lekgela L E	-	-	-	-	-	-	-	-	-	-	74	536
Manyoni T M	-	-	-	-	-	1,067	3,074	5,516	25	-	-	-
Mashoane E D	24,462	24,579	24,695	24,812	24,931	25,050	25,169	25,289	25,408	25,527	25,647	25,766
Matsemelela M V	-	-	-	-	-	-	417	359	469	656	599	340
Matsoetlane M J	-	-	-	-	-	-	-	-	-	1,057	889	744
Mbange M B	4,202	4,790	5,502	6,153	6,861	7,361	7,735	8,325	8,971	9,929	10,537	11,094
Minnie H	435	753	1,358	2,030	2,187	427	443	460	462	577	714	472
Mononyane M B	43,325	44,904	45,760	48,675	48,610	50,070	50,875	51,689	52,507	51,233	52,059	34,935
Mpakathe T S	-	-	-	-	-	-	-	-	-	-	109	115
Mpheqeka M S	28,928	29,444	29,362	30,435	30,404	30,428	30,265	30,322	30,293	30,444	30,412	30,049
Mtshiwane K J	-	-	-	-	-	-	-	91	191	-	-	-
Naile T J	-	-	177	508	1,189	1,566	1,746	1,930	2,118	2,300	2,482	-
Ndamane S S	100	-	-	-	-	-	-	-	53	-	775	645
Nkoe M J	66,597	67,067	67,526	67,891	66,941	67,582	67,086	67,746	68,215	68,649	69,249	69,734
Nothnagel J	4,683	3,911	3,161	22	36	789	2,164	4,085	5,991	9,245	132	-
Petersen J E	15,746	16,444	17,099	17,841	18,629	19,455	20,895	21,762	23,664	25,445	20,070	21,449
Phajane M A	-	-	-	-	35	1,102	-	6	19	2,437	4,151	5,379
Sechaoro C S K	1,304	2,179	2,554	2,998	2,403	3,180	4,131	4,189	4,843	-	-	-
Thipenyane G	-	-	-	-	-	503	1,006	513	1,025	-	-	-
Tsomela M M	918	944	1,074	1,032	1,407	174	370	343	982	1,503	-	-
Ward V W	112,255	112,024	109,413	109,153	108,738	107,442	107,692	107,922	101,525	100,732	100,464	101,130
Grand Total	304,600	308,498	308,957	312,657	313,307	316,960	323,658	330,962	326,997	329,792	318,363	302,388

Electricity Services

Surname and Initials	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Snyman van Deventer E	469	469	469	469	469	469	469	469	469	469	469	469
Monanyane M B	69,647	70,923	72,257	73,714	75,335	75,767	76,235	76,707	77,178	77,649	78,120	78,591
Masoetsa L A	7,066	5,940	9,541	10,953	11,945	12,700	11,938	11,610	10,689	10,222	9,307	7,235
Siyonzana M A	11,461	14,680	18,485	15,897	18,079	20,110	21,727	23,346	24,796	26,150	27,807	29,534
Mashoane E D	78,054	78,551	79,048	79,456	80,043	80,541	81,038	81,535	82,033	82,530	83,028	83,525
Nothnagel J	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901
Sechoaro C S K	5,750	5,788	5,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826
Peterson J E	17,384	17,501	17,618	17,618	17,618	17,618	17,618	16,618	15,618	15,618	15,618	15,618
Grand Total	211,732	215,753	225,145	223,834	229,216	232,932	234,752	236,012	236,510	238,365	240,076	240,699