Matjhabeng Local Municipality
Financial statements
for the year ended 30 June 2015

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS184.
Grading of local authority	Local high capacity municipality
Executive Mayor	Ngangelizwe S
Speaker	Stofile C
Council Whip	Twala M J
Members of the Mayoral Committee	
	Ngangelizwe S - Executive Mayor
	Mbana M A - Finance
	Menyatso K J - Technical Services
	Mfebe M S E - Corporate Services
	Motshabi M P - Community Services
	Ntsobeng NH - Human Settlements
	Radebe M L - Social Services
	Rubulana L - Local Economic Development
	Sephiri M J - Public Safety
	Taliwe F E - Policy and Planning
	Tlhone M L - Special Programmes
Members of the Council	
Councillors	Badenhorst M J M
	Banyane M E
	Beneke R
	Botha P F
	Chaka C P
	Dali V N
	De Villiers M T
	Fanie D S
	Fourie J J C
	Kabi M
	Kockera S C
	Mabote T L
	Madumise M M
	Mafa D
	Mafongosi Z V
	Makgowe P V
	Malefane D E
	Malefane D M

General Information

Marais J S
Masienyane M D
Matlebe M M
Mbambo A X
Meli T S
Mholo P P
Mlangeni G
Mokhomo H A
Mokotedi T G
Molelekoa P A
Molelekoa P M I
Molete T N
Molupe R T
Monjovo N E
Morris V R
Mosala M S
Mothege M A
Motshabi M P
Mphikeleli M A
Naude Z H J
Ntlele K I
Ntsebeng M H
Petleki K I
Phetise M E
Pina N J
Qwesha G L
Radebe M C
Riet M I
Sifatya Z
Smit D C
Speelman N W
Stofile B
Styger A
Taljaard S D M
Thateng M J
Thelingoane T J
Tlake K R
Tsatsa S J
Tsubane M E
Tsubella K S
Twala M J
Twanana M
Van Rooyen K V
Van Rooyen M S
Van Schalkwyk H C T
Vanga N M

General Information

Municipal Manager	Lepheana M F
Chief Finance Officer	Tsoaeli E T
Registered office	Civic Centre 319 Stateway Welkom Free State 9460
Postal address	PO Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Finger Phukubje Attorneys Kemi Akinbohun Attorneys Maree Gouws Attorneys Moroka Attorneys Podbielski Attorneys
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.fs.gov.za

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

Abbreviations

ASB	Accounting Standards Board
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay as You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), I am responsible for the preparation of these annual financial statements set out on pages 6 to 90, which have been prepared on the going concern basis, were approved by the audit committee on 28 August 2015 and which I have signed on behalf of the municipality below.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, as disclosed in note 26 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Officer Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Lepheana MF
Municipal Manager
Welkom
31 August 2015

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in Matjhabeng and operates principally in the Lejweleputswa district, Free State Province.

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

2. Financial sustainability

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality 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, 2014 (Act No. 10 of 2014).

3. Events after the reporting date

The accounting officer is not aware of any significant matter or circumstance arising since the end of the financial 2 months.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in contracts for the year under review.

5. Accounting policies

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

6. Accounting Officer

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

Name	Nationality	Changes
Lepheana M F	South African	Appointed 14 November 2014

Matjhabeng Local Municipality

(Registration number FS184)
Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

	Notes	2015	2014
Assets			
Current Assets			
Inventories	3	275 654 410	275 225 450
Investments	4	18 862 179	10 580 227
Other receivables	5	10 491 717	4 252 346
VAT receivable	6	47 089 117	18 362 769
Consumer receivables	7	939 869 118	539 574 792
Cash and cash equivalents	8	1 515 495	2 371 131
		1 293 482 036	**850 366 715**
Non-Current Assets			
Investment property	9	433 740 723	440 432 702
Property, plant and equipment	10	5 354 538 795	5 483 902 378
Heritage assets	11	7 104 349	7 104 349
Investments	4	339 207	16 099 517
Consumer receivables	7	350 382	1 611 777
		5 796 073 456	**5 949 150 723**
Total Assets		**7 089 555 492**	**6 799 517 438**
Liabilities			
Current Liabilities			
Trade and other payables	12	2 192 632 825	1 606 120 303
Consumer deposits	13	30 231 537	31 765 750
Unspent conditional grants	14	6 024 485	7 347 170
Provisions	15	1 118 490	780 973
Bank overdraft	8	1 569 372	-
		2 231 576 709	**1 646 014 196**
Non-Current Liabilities			
Employee benefits	16	349 773 364	322 410 090
Provisions	15	49 025 542	48 582 086
		398 798 906	**370 992 176**
Total Liabilities		**2 630 375 615**	**2 017 006 372**
Net Assets		**4 459 179 877**	**4 782 511 066**
Accumulated surplus		4 459 179 877	4 782 511 067

Statement of Financial Performance

	Notes	2015	2014
Revenue			
Commission received	18	9 778 521	10 052 504
Dividends received	19	14 608	15 648
Fines	18	11 499 998	3 245 269
Government grants and subsidies	20	586 347 372	617 641 769
Interest received	19	107 151 515	129 041 338
Licences and permits	18	48 905	37 730
Other income	21	15 599 000	15 479 579
Property rates	22	192 549 129	192 976 982
Rental of facilities	23	11 203 009	10 303 659
Service charges	24	942 577 378	825 232 349
Total revenue		**1 876 769 435**	**1 804 026 827**
Expenditure			
Employee related costs	25	(550 428 676)	(482 974 006)
Remuneration of councillors	26	(25 449 281)	(24 682 338)
Depreciation and impairment	27	(260 345 609)	(282 950 593)
Finance costs	28	(174 860 381)	(132 854 072)
Debt impairment	29	(73 512 082)	(38 941 330)
Repairs and maintenance		(26 882 267)	(37 839 048)
Bulk purchases	30	(745 259 277)	(665 245 239)
Contracted services	31	(100 063 466)	(120 425 649)
General expenses	33	(206 232 700)	(178 906 990)
Total expenditure		**(2 163 033 739)**	**(1 964 819 265)**
Operating deficit		**(286 264 304)**	**(160 792 438)**
Fair value adjustments	34	17 125	19 482
(Loss) on disposal of assets	35	(40 423 875)	(3 322 618)
Actuarial gain on employee benefits		3 339 864	16 855 422
		(37 066 886)	**13 552 286**
Deficit for the year		**(323 331 190)**	**(147 240 152)**

Matjhabeng Local Municipality

(Registration number FS184)
Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	4 811 347 176	4 811 347 176
Adjustments		
Prior period errors - Note 37	118 404 043	118 404 043
Balance at 01 July 2012 as restated	**4 929 751 219**	**4 929 751 219**
Changes in net assets		
Deficit for the year	(147 240 152)	(147 240 152)
Total changes	(147 240 152)	(147 240 152)
Balance at 01 July 2013 as restated	**4 782 511 067**	**4 782 511 067**
Changes in net assets		
Surplus / (Deficit) for the year	(323 331 190)	(323 331 190)
Total changes	(323 331 190)	(323 331 190)
Balance at 30 June 2015	**4 459 179 877**	**4 459 179 877**

Cash Flow Statement

	Notes	2015	2014
Cash flows from operating activities			
Receipts			
Property rates and service charges		693 292 228	618 818 636
Government grants and subsidies		587 670 057	649 143 915
Dividends received		14 608	15 648
		1 280 976 893	1 267 978 199
Payments			
Employee related costs		(542 593 643)	(474 599 204)
Remuneration of councillors		(25 449 281)	(24 682 338)
Suppliers		(506 701 234)	(515 886 624)
Other payments		(55 805 532)	201 703 602
		(1 130 549 690)	(813 464 564)
Net cash flows from operating activities	38	**150 427 203**	**454 513 635**
Cash flows from investing activities			
Purchase of property, plant and equipment		(164 713 922)	(444 415 554)
Proceeds from sale of investment property		-	1 496 475
Proceeds from sale of investments		7 510 091	6 620 798
Interest Income - Investments		4 351 619	6 302 888
Net cash flows from investing activities		**(152 852 212)**	**(429 995 393)**
Cash flows from financing activities			
Finance cost - Borrowings		-	(1 388 598)
Repayment of borrowings		-	(18 537 334)
Finance lease obligation payments		-	(210 125)
Interest income		-	(12 374 617)
Net cash flows from financing activities		**-**	**(32 510 674)**

Cash Flow Statement

	Notes	2015	2014
Net increase/(decrease) in cash and cash equivalents		**(2 425 009)**	**(7 992 432)**
Cash and cash equivalents at the beginning of the year		2 371 131	10 363 563
Cash and cash equivalents at the end of the year	8	**(53 877)**	**2 371 131**

Matjhabeng Local Municipality

(Registration number FS184)
Financial Statements for the year ended 30 June 2015

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Commissions received	-	-	**-**	9 778 521	**9 778 521**	Note 49
Dividends received	-	-	**-**	14 608	**14 608**	Note 49
Interest received	86 118 515	-	**86 118 515**	107 151 515	**21 033 000**	Note 49
Licences and permits	-	-	**-**	48 905	**48 905**	Note 49
Other income	53 603 191	(10 657 128)	**42 946 063**	15 599 000	**(27 347 063)**	Note 49
Rental of facilities	6 907 591	-	**6 907 591**	11 203 009	**4 295 418**	Note 49
Service charges	1 041 240 723	-	**1 041 240 723**	942 577 378	**(98 663 345)**	Note 49
Total revenue from exchange transactions	**1 187 870 020**	**(10 657 128)**	**1 177 212 892**	**1 086 372 936**	**(90 839 956)**	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	8 000 000	-	**8 000 000**	11 499 998	**3 499 998**	Note 49
Government grants and subsidies	417 931 000	-	**417 931 000**	586 347 372	**168 416 372**	Note 49
Property rates	180 514 208	-	**180 514 208**	192 549 129	**12 034 921**	Note 49
Total revenue from non-exchange transactions	**606 445 208**	**-**	**606 445 208**	**790 396 499**	**183 951 291**	
Total revenue	**1 794 315 228**	**(10 657 128)**	**1 783 658 100**	**1 876 769 435**	**93 111 335**	
Expenditure						
Employee related costs	(513 324 349)	-	**(513 324 349)**	(550 428 676)	**(37 104 327)**	Note 49
Remuneration of councillors	(24 257 907)	-	**(24 257 907)**	(25 449 281)	**(1 191 374)**	
Depreciation and amortisation	-	-	**-**	(260 345 609)	**(260 345 609)**	Note 49
Finance costs	(2 096 027)	-	**(2 096 027)**	(174 860 381)	**(172 764 354)**	Note 49
Debt impairment	(344 917 941)	-	**(344 917 941)**	(73 512 082)	**271 405 859**	Note 49
Repairs and maintenance	(160 547 009)	17 913 832	**(142 633 177)**	(26 882 267)	**115 750 910**	Note 49
Bulk purchases	(537 475 424)	8 005 553	**(529 469 871)**	(745 259 277)	**(215 789 406)**	Note 49
Contracted services	(49 077 699)	(16 770 119)	**(65 847 818)**	(100 063 466)	**(34 215 648)**	Note 49
General expenses	(165 818 872)	10 623 128	**(155 195 744)**	(206 232 700)	**(51 036 956)**	Note 49
Total expenditure	**(1 797 515 228)**	**19 772 394**	**(1 777 742 834)**	**(2 163 033 739)**	**(385 290 905)**	
Operating deficit	**(3 200 000)**	**9 115 266**	**5 915 266**	**(286 264 304)**	**(292 179 570)**	
Gain on disposal of assets	3 200 000	-	**3 200 000**	(40 423 875)	**(43 623 875)**	
Actuarial gain on employee benefits	-	-	**-**	3 339 864	**3 339 864**	Note 49

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
Fair value adjustments	-	-	-	17 125	**17 125**	Note 49
	3 200 000	**-**	**3 200 000**	**(37 066 886)**	**(40 266 886)**	
Deficit before taxation	**-**	**9 115 266**	**9 115 266**	**(323 331 190)**	**(332 446 456)**	
Actual Amount in the Statement of Financial Performance	**-**	**9 115 266**	**9 115 266**	**(323 331 190)**	**(332 446 456)**	

Appropriation Statement

	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	Difference between final budget and actual	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	180 514 208	-	180 514 208	-		180 514 208	192 549 129		12 034 921	107 %	107 %
Service charges	1 041 240 723	-	1 041 240 723	-		1 041 240 723	942 577 378		(98 663 345)	91 %	91 %
Interest and dividends received	86 118 515	-	86 118 515	-		86 118 515	107 166 123		21 047 608	124 %	124 %
Government grant and subsidies - operational	417 931 000	-	417 931 000	-		417 931 000	419 259 170		1 328 170	100 %	100 %
Other revenue	71 710 782	(10 657 128)	61 053 654	-		61 053 654	51 486 422		(9 567 232)	84 %	72 %
Total revenue (excluding capital transfers and contributions)	**1 797 515 228**	**(10 657 128)**	**1 786 858 100**	**-**		**1 786 858 100**	**1 713 038 222**		**(73 819 878)**	**96 %**	**95 %**
Employee related costs	(513 324 349)	-	(513 324 349)	-	-	(513 324 349)	(550 428 676)	-	(37 104 327)	107 %	107 %
Remuneration of councillors	(24 257 907)	-	(24 257 907)	-	-	(24 257 907)	(25 449 281)	(687 961)	(1 191 374)	105 %	105 %
Debt impairment	(344 917 941)	-	(344 917 941)			(344 917 941)	(73 512 082)	-	271 405 859	21 %	21 %
Depreciation and impairment	-	-	-			-	(260 345 609)	(522 552)	(260 345 609)		- %
Finance costs	(2 096 027)	-	(2 096 027)	-	-	(2 096 027)	(174 860 381)	(29 431 047)	(172 764 354)	8 342 %	8 342 %
Repairs and maintenance	-	-	-	-	-	-	(26 882 267)	-	(26 882 267)	DIV/0 %	DIV/0 %
Bulk purchases	(537 475 424)	8 005 553	(529 469 871)	-	-	(529 469 871)	(745 259 277)	-	(215 789 406)	141 %	139 %
Contracted services	(49 077 699)	(16 770 119)	(65 847 818)	-	-	(65 847 818)	(100 063 466)	-	(34 215 648)	152 %	204 %
Grants and subsidies paid	-	-	-	-	-	-	-	(285 026)	-	DIV/0 %	- %
Other expenditure	(372 243 580)	2 617 575	(369 626 005)	-	-	(369 626 005)	(208 855 040)	-	160 770 965	57 %	56 %

Appropriation Statement

	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
Total expenditure	**(1 843 392 927)**	**(6 146 991)**	**(1 849 539 918)**	**-**	**-**	**(1 849 539 918)**	**(2 165 656 079)**	**(30 926 586)**	**(316 116 161)**	**117 %**	**117 %**
Surplus/(Deficit)	**45 877 699**	**(16 804 119)**	**(62 681 818)**	**-**		**(62 681 818)**	**(452 617 857)**		**(389 936 039)**	**(722)%**	**987 %**
Government grants and subsidies - capital	-	-	-	-		-	167 088 202		167 088 202	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	(167 964 917)		(167 964 917)	DIV/0 %	DIV/0 %
Surplus / (Deficit) after capital transfers and contributions	**(45 877 699)**	**(16 804 119)**	**(62 681 818)**	**-**		**(62 681 818)**	**451 741 142**		**(389 059 324)**	**(721)%**	**(985)%**
Fair value adjustments	-	-	-	-		-	17 125		17 125	DIV/0 %	DIV/0 %
Loss on disposal of assets	3 200 000	-	3 200 000	-		3 200 000	(40 423 875)		(43 623 875)	(1 263)%	(1 263)%
Actuarial gain on employee benefits	-	-	-	-		-	3 339 864		3 339 864	DIV/0 %	DIV/0 %
Deficit for the year	**(49 077 699)**	**(16 804 119)**	**(65 881 818)**	**-**		**(59 481 818)**	**414 674 256**		**474 156 074**	**(697)%**	**(845)%**

Appropriation Statement

	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
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	231 747 756		231 747 756	DIV/0 %	DIV/0 %
Sources of capital funds											
Government grants and subsidies - capital	-	-	-	-		-	(189 129 592)		(189 129 592)	DIV/0 %	DIV/0 %
Cash flows											
Net cash from operating	-	-	-	-		-	150 427 203		150 427 203	DIV/0 %	DIV/0 %
Net cash (used) investing	-	-	-	-		-	(152 852 212)		(152 852 212)	DIV/0 %	DIV/0 %
Net (decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(2 425 009)**		**(2 425 009)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	2 371 131		2 371 131	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**(53 878)**		**53 878**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete inventory

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

Receivables

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

The impairment for receivables is calculated identifying receivables individually. Receivables which could not be identified individually as being impaired were calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of Property, plant and equipment

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

Employee benefit obligations

The present value of the employee benefit obligations 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 include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefit obligations.

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

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in note 16.

Provisions

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

Fair value estimation

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

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

Provision for impairment of receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

1.4 Investment property

Initial recognition

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

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

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

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

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

Accounting Policies

1.4 Investment property (continued)

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

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Estimated useful life
Property - Land	Indefinite
Property - Buildings	5-30 years

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

1.5 Property, plant and equipment

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

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

Initial recognition

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Subsequent measurement

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

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

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

Item	**Estimated average useful life**
Land	Indefinite
Furniture and fixtures	5-7 years
Transport assets	4-15 years
Office equipment	5-7 years
IT equipment	3-10 years
Infrastructure	5-100 years
Other equipment	2-20 years
Landfill rehabilitation asset	8-20 years

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.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Disposal

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

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

1.6 Site restoration and dismantling cost

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

1.6 Site restoration and dismantling cost (continued)

The related asset is measured using the cost model:

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

1.7 Heritage assets

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.

Recognition

The municipality 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 municipality, 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 is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality 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 derecognition 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 heritage asset is derecognised.

1.8 Financial instruments

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

1.8 Financial instruments (continued)

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:

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

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Class	**Category**
Other receivables	Financial asset measured at amortised cost
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value and amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

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Class	**Category**
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised 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 transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

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

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

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 directly OR 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 directly OR 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.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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 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.

Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

Dividends or similar distributions 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.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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.

1.9 Tax

Value added tax (VAT)

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

1.10 Leases

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

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

Finance leases - 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.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

Identification

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

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 municipality 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.

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

1.13 Impairment of non-cash-generating assets

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

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).

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

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

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

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

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

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 municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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 municipality 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.

Reversal of an impairment loss

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

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

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

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.

1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party, as defined in the Standard of GRAP on Related Party Disclosures, of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Other long term employee benefit

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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 finance cost.

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

Provisions are not recognised for future operating deficits.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Provisions and contingencies (continued)

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:

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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends are recognised when:

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

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

Dividends are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes

The municipality 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 municipality 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 municipality 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.

Fines

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

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

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

1.18 Investment income

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

1.19 Borrowing costs

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

1.20 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, additional disclosures are included in note 36.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 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.

Accounting Policies

1.23 Irregular expenditure

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

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

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

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

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

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

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

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

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments are classified as held for trading and are measured subsequently at fair value, based on quoted market prices at the reporting date. Unrealised gains and losses for securities that are held for trading purposes are included in surplus and deficit for the period.

1.25 Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of Trade and other payables.

1.26 Unspent conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality 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.

Accounting Policies

1.27 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note 39.

1.28 Related parties

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

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

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

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

1.29 Budget information

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

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

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No new Standards of GRAP became effective for the first time for 30 June 2015 year-ends.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 105: Transfers of functions between entities under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 106: Transfers of functions between entities not under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 107: Mergers	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 20: Related parties	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP32: Service Concession Arrangements: Grantor	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP108: Statutory Receivables	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.

Notes to the Financial Statements

	2015	2014

3. Inventories

Consumable stores - at cost	7 318 736	8 599 050
RDP inventory	266 240 156	266 240 156
Water in reservoirs and pipelines - at cost	2 095 518	386 244
	275 654 410	**275 225 450**

Refer to note 30 for water purchases recognised as an expense during the year and note 33 for consumables recognised as an expense during the year.

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality.

4. Investments

Designated at fair value		
Unlisted shares	339 207	322 082
The unlisted shares consist of 17,238 (2014: 17,238) equity shares in Senwes Limited and 26,435 (2014: 26,435) equity shares in Senwesbel Limited.		
At amortised cost		
ABSA Fixed deposit account 20-5944-0982	-	10 580 227
The investment matured on 3 July 2014 and was closed on 4 September 2014. Interest was earned at a rate of 6.65% (2014: 5.85%) per annum.		
RMB Asset Management (Guaranteed Investment Trust)	18 862 179	15 777 435
The maturity date of the investment is 19 October 2015 with a guaranteed amount of R 19,191,692 (2014: R 19,191,692). The guaranteed amount is valued at purchase yield on the assumption that it is held to maturity. Interest is earned at a guaranteed rate of 15.6% (2014:15.6%) per annum.		
	18 862 179	**26 357 662**
Total Investments	**19 201 386**	**26 679 744**
Non-current assets		
Designated at fair value	339 207	322 082
At amortised cost	-	15 777 435
	339 207	**16 099 517**

Notes to the Financial Statements

	2015	2014

4. Investments (continued)

Current assets		
At amortised cost	18 862 179	10 580 227

Investments at fair value

Fair value hierarchy of investments at fair value

Fair values are determined annually at the Statement of Financial Position date from the quoted prices on the Senwes website.

For investments 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 as prices or indirectly derived from prices.

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

Level 1		
Class 1 Unlisted shares	339 207	322 082

Investments at amortised cost

Investments at amortised cost past due but not impaired

There are no investments past due but not impaired for the current or prior reporting period.

Investments at amortised cost impaired

There are no investments impaired for the current or prior reporting period.

Credit quality of investments
The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The carrying value of investments recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying amount of investments.

Renegotiated terms
None of the investments that are fully performing have been renegotiated in the last year.

Collateral

Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA primary account overdraft facility.	-	10 000 000

Notes to the Financial Statements

	2015	2014

5. Other receivables

Deposits	9 850	9 850
Traffic fines receivable	7 056 059	-
Other receivables	3 425 808	4 242 496
	10 491 717	**4 252 346**

Included in above is receivables from exchange transactions		
Other receivables	3 472 932	4 242 496

Included in above is receivables from non-exchange transactions		
Deposits	9 850	9 850
Traffic fines	7 056 059	-
	7 065 909	**9 850**

Other receivables pledged as security

No receivable was pledged as security for any financial liability of the municipality.

Renegotiated terms

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

Fair value of other receivables

The carrying value of the receivables recorded at amortised cost approximate their fair values.

Other receivables impaired

There are no receivables impaired for in the current prior reporting period.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables.

Collateral

The municipality does not hold any collateral as security.

6. VAT receivable

Value added tax (VAT)	47 089 117	18 362 769

The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipts once cash is received and input VAT is claimed on payments when actual payment is made.

Notes to the Financial Statements

7. Consumer receivables

	2015	2014
Gross balances		
Rates	284 193 116	348 735 139
Electricity	228 538 495	224 084 481
Water	794 540 710	980 779 082
Sewerage	279 258 716	368 195 550
Refuse	189 906 711	256 177 079
Housing rental	-	928 927
Other	118 638 598	148 001 872
Less: Non-current consumer receivables (Arrangements)	(21 059 890)	(4 243 269)
Payments received in advance	(124 663 934)	(712 551)
	1 749 352 522	**2 321 946 310**

	2015	2014
Less: Allowance for impairment		
Rates	(122 221 999)	(260 922 106)
Electricity	(71 564 408)	(123 122 770)
Water	(375 740 503)	(804 409 360)
Sewerage	(121 944 636)	(296 391 730)
Refuse	(84 502 983)	(208 745 342)
Housing rental	-	(928 927)
Other	(54 218 383)	(90 482 775)
Less: Non-current consumer receivables (Arrangements)	20 709 508	2 631 492
	(809 483 404)	**(1 782 371 518)**

	2015	2014

7. Consumer receivables (continued)

	2015	2014
Net balance		
Rates	161 971 117	87 813 033
Electricity	156 974 087	100 961 711
Water	418 800 207	176 369 722
Sewerage	157 314 081	71 803 820
Refuse	105 403 727	47 431 737
Other	64 420 215	57 519 097
Less: Non-current consumer receivables (Arrangements)	(350 382)	(1 611 777)
Payments received in advance	(124 663 934)	(712 551)
	939 869 118	**539 574 792**

	2015	2014
Current assets		
Consumer receivables	939 869 118	539 574 792
Non-Current assets		
Consumer receivables	350 382	1 611 777
Total Consumer receivables	**940 219 500**	**541 186 569**

Included in above is consumer receivables with arrangements

	2015	2014
Gross balance		
Arrangements - Non-current	21 059 890	4 243 269
Arrangements - Current	8 778 728	2 340 333
	29 838 618	**6 583 602**
Less: Allowance for impairment		
Arrangements - Non-current	(20 709 508)	(2 631 492)
Arrangements - Current	(8 455 365)	(1 345 677)
	(29 164 873)	**(3 977 169)**
Net balance		
Arrangements - Non-current	350 382	1 611 777
Arrangements - Current	323 363	994 655
	673 745	**2 606 432**

	2015	2014

7. Consumer receivables (continued)

	2015	2014
Included in above is consumer receivables from exchange transactions		
Electricity	156 974 087	100 961 711
Water	418 800 207	176 369 722
Sewerage	157 314 081	71 803 820
Refuse	105 403 727	47 431 737
Other	64 420 215	57 519 097
Payments received in advance	(124 663 934)	(712 551)
	778 248 383	**453 373 536**

	2015	2014
Included in above is consumer receivables from non-exchange transactions		
Rates	161 971 117	87 813 033
Net balance	**940 219 500**	**541 186 569**

	2015	2014
Rates		
Current (0 -30 days)	13 788 969	15 936 399
31 - 60 days	8 156 426	8 352 355
61 - 90 days	7 184 257	7 480 149
91 days +	255 063 464	316 966 236
Less: Allowance for impairment	(122 221 999)	(260 922 106)
	161 971 117	**87 813 033**

	2015	2014
Electricity		
Current (0 -30 days)	73 844 824	97 039 415
31 - 60 days	17 712 096	12 511 391
61 - 90 days	7 964 863	7 039 557
91 days +	129 016 712	134 112 360
Less: Allowance for impairment	(71 564 408)	(123 122 770)
	156 974 087	**127 579 953**

7. Consumer receivables (continued)

	2015	2014
Water		
Current (0 -30 days)	66 546 240	72 901 957
31 - 60 days	36 332 623	23 280 390
61 - 90 days	22 257 429	21 758 819
91 days +	669 404 418	882 799 608
Less: Consumer deposits outstanding	-	(197 039)
Less: Allowance for impairment	(375 740 503)	(804 409 360)
	418 800 207	**196 134 375**

	2015	2014
Sewerage		
Current (0 -30 days)	10 725 313	11 081 690
31 - 60 days	9 053 253	8 743 842
61 - 90 days	7 831 605	8 418 667
91 days +	251 648 506	339 951 351
Less: Allowance for impairment	(121 944 636)	(296 391 730)
	157 314 041	**71 803 820**

	2015	2014
Refuse		
Current (0 -30 days)	6 487 255	6 650 239
31 - 60 days	5 050 179	5 253 408
61 - 90 days	4 690 941	4 944 188
91 days +	173 678 336	239 329 244
Less: Allowance for impairment	(84 502 983)	(208 745 342)
	105 403 728	**47 431 737**

	2015	2014
Other		
Current (0 -30 days)	2 580 121	2 001 816
31 - 60 days	3 087 982	1 784 114
61 - 90 days	3 251 404	1 791 019
91 days +	109 719 091	142 424 923
Less: Allowance for impairment	(54 218 383)	(90 482 775)
	64 420 215	**57 519 097**

Notes to the Financial Statements

	2015	2014

7. Consumer receivables (continued)

Summary of receivables by customer classification

	2015	2014
Consumers		
Current (0 -30 days)	62 302 916	48 366 442
31 - 60 days	48 381 987	31 167 731
61 - 90 days	32 979 223	26 699 933
91 days +	1 020 813 715	1 100 793 214
Less: Allowance for impairment	(489 916 759)	(973 226 960)
	674 561 082	**233 800 360**

	2015	2014
Business, industrial and commercial		
Current (0 -30 days)	29 769 887	27 871 691
31 - 60 days	14 164 406	9 581 197
61 - 90 days	9 422 022	7 099 034
91 days +	252 184 480	204 582 988
Less: Allowance for impairment	(109 829 170)	(144 641 038)
	195 711 625	**104 493 872**

	2015	2014
National and provincial government		
Current (0 -30 days)	8 255 756	9 555 246
31 - 60 days	5 615 972	5 250 774
61 - 90 days	3 398 569	3 595 918
91 days +	142 851 229	118 324 049
Less: Allowance for impairment	(59 136 025)	(4 022 884)
	100 985 501	**132 703 103**

	2015	2014
Indigents		
Current (0 -30 days)	8 906 424	11 275 398
31 - 60 days	9 191 220	11 102 864
61 - 90 days	5 363 401	11 257 898
91 days +	123 933 496	582 319 420
Less: Allowance for impairment	(147 394 541)	(615 955 580)
	-	-

	2015	2014
Housing debtors		
Current (0 -30 days)	-	7 554
31 - 60 days	-	7 492
61 - 90 days	-	7 431
91 days +	-	906 450
Less: Allowance for impairment	-	(928 927)

	2015	2014

7. Consumer receivables (continued)

	-	-

Farms and agriculture		
Current (0 -30 days)	2 105 876	2 954 688
31 - 60 days	2 038 974	2 822 935
61 - 90 days	2 017 283	2 779 615
91 days +	48 747 647	49 564 050
Less: Allowance for impairment	(23 924 416)	(46 227 620)
	30 985 364	**11 893 668**

Total debtors by consumer classification		
Current (0 -30 days)	111 340 861	100 031 020
31 - 60 days	79 392 559	59 932 993
61 - 90 days	53 180 498	51 439 830
91 days +	1 588 530 566	2 056 490 172
Unmetered consumption for water and electricity	62 631 862	59 205 155
Payments received in advance	(124 663 934)	(712 550)
Less: Consumer deposits outstanding	-	(197 039)
Less: Allowance for impairment	(830 192 912)	(1 785 003 011)
	940 219 500	**541 186 570**

Consumer receivables pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of consumer receivables

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

Renegotiated terms

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

Fair value of consumer receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

	2015	2014

7. Consumer receivables (continued)

Consumer receivables past due but not impaired

Consumer receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, - (2014: 421 994 475) were past due but not impaired.

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

	2015	2014
31 - 60 days	40 879 048	22 869 263
61 - 90 days	27 542 242	15 017 420
91 days +	822 507 422	384 107 792

Consumer receivables impaired

As of 30 June 2015, consumer receivables of 890 910 712 (2014: 1 785 003 011) were impaired and provided for.

Reconciliation of provision for impairment of consumer receivables

	2015	2014
Opening balance	(1 785 003 011)	(1 749 737 579)
Contributions to provision	(73 512 082)	(38 941 330)
Bad debt written off against provision	1 028 322 181	3 675 898
	(830 192 912)	**(1 785 003 011)**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Collateral

The municipality holds collateral over these balances in the form of consumer deposits, which are not covering the total outstanding debt. Refer to note 13.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand and advances	9 474	8 874
Bank balances	-	940 326
Short-term deposits	720 445	720 205
Collections account	785 576	701 726
Bank overdraft	(1 569 372)	-
	(53 877)	**2 371 131**

	2015	2014
Current assets	1 515 495	2 371 131
Current liabilities	(1 569 372)	-
	(53 877)	**2 371 131**

	2015	2014

8. Cash and cash equivalents (continued)

No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.

The following undrawn facilities are available for future operating activities and commitments:

Bank overdraft facility	-	10 000 000
ACB mag tape debit facility	2 000 000	2 000 000
Housing guarantee	500 000	500 000
Fleet card	60 000	60 000

Collateral

Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA overdraft facility. Refer to note 3.	-	10 000 000

The municipality had the following bank accounts

`

Account description and number	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Primary Cheque account 40-5370-5465	2 187 120	1 275 549	6 545 048	(775 550)	1 853 697	(6 156 365)
ABSA Market Cheque account 40-5644-3399	1 497 072	2 116 003	2 223 282	(793 822)	(913 370)	(30 944)
FNB Collections Cheque account 542-3117-3409	785 576	701 726	631 747	785 576	700 915	631 397
ABSA Savings account 90-9461-7107	1 000	1 000	26 879	1 000	1 000	26 941
ABSA Savings account 91-0668-4115	1 201	1 000	1 101 010	1 201	1 000	1 128 782
ABSA Savings account 91-1114-1338	1 011	1 000	9 121	1 011	1 000	9 148
ABSA Savings account 91-0668-4238	1 077	1 000	7 333	1 077	1 000	7 353
ABSA Savings account 91-0653-8138	-	50	238	-	50	238
ABSA Savings account 91-0668-4157	1 001	1 000	2 365	1 001	1 000	2 366
ABSA Savings account 91-2351-5666	1 002	1 002	11 103	1 002	1 002	11 103
FNB Call account 614-0400-1177	5 074	5 074	5 036	5 074	5 074	5 036
FNB Call account 620-0350-3019	709 079	709 079	692 654	709 079	709 079	692 654
Total	**5 190 213**	**4 813 483**	**11 255 816**	**(63 351)**	**2 361 447**	**(3 672 291)**

9. Investment property

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	502 979 732	(69 239 009)	433 740 723	502 979 732	(62 547 030)	440 432 702

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	440 432 702	(6 691 979)	433 740 723

Reconciliation of investment property - 2014

	Opening balance	Disposals	Depreciation	Total
Investment property	448 621 156	(1 496 475)	(6 691 979)	440 432 702

Pledged as security

No property was pledged as security for any financial liability.

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

There are no contractual obligations on investment property.

10. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Capital work in progress	534 913 669	-	534 913 669	524 675 579	-	524 675 579
Furniture and fixtures	11 543 891	(18 935 864)	(7 391 973)	12 942 990	-	12 942 990
IT equipment	10 495 649	(8 559 929)	1 935 720	5 194 815	-	5 194 815
Infrastructure	8 083 548 348	(3 592 639 485)	4 490 908 863	4 838 199 772	(257 768 575)	4 580 431 197
Land	223 069 176	-	223 069 176	223 069 176	-	223 069 176
Landfill rehabilitation asset	81 954 953	(14 186 510)	67 768 443	81 954 953	(7 093 255)	74 861 698
Transport assets	117 582 424	(70 125 366)	47 457 058	49 158 671	-	49 158 671
Office equipment	4 947 036	(6 006 503)	(1 059 467)	4 068 985	-	4 068 985
Other equipment	18 335 899	(21 398 593)	(3 062 694)	9 499 267	-	9 499 267
Total	**9 086 391 045**	**(3 731 852 250)**	**5 354 538 795**	**5 748 764 208**	**(264 861 830)**	**5 483 902 378**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Capital work in progress	524 675 579	167 276 132	-	(157 038 042)	-	534 913 669
Furniture and fixtures	12 942 990	(91 583)	(20 243 380)	-	-	(7 391 973)
IT equipment	5 194 815	(132 655)	(3 126 440)	-	-	1 935 720
Infrastructure	4 580 431 197	-	-	157 038 042	(246 560 376)	4 490 908 863
Land	223 069 176	-	-	-	-	223 069 176
Landfill rehabilitation asset	74 861 698	-	-	-	(7 093 255)	67 768 443
Transport assets	49 158 671	(1 405 396)	(296 217)	-	-	47 457 058
Office equipment	4 068 985	(48 805)	(5 079 647)	-	-	(1 059 467)
Other equipment	9 499 267	(280 969)	(12 280 992)	-	-	(3 062 694)
	5 483 902 378	**165 316 724**	**(41 026 676)**	**-**	**(253 653 631)**	**5 354 538 795**

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Capital work in progress	463 079 247	219 481 713	-	(157 885 381)	-	524 675 579
Furniture and fixtures	17 006 034	260 819	-	-	(4 323 863)	12 942 990
IT equipment	6 183 797	1 159 777	-	-	(2 148 759)	5 194 815
Infrastructure	4 667 378 833	348 060	(2 886 705)	157 885 381	(242 294 372)	4 580 431 197
Land	223 069 176	-	-	-	-	223 069 176
Landfill rehabilitation asset	81 954 953	-	-	-	(7 093 255)	74 861 698
Transport assets	61 846 286	3 499 895	(537 901)	-	(15 649 609)	49 158 671
Office equipment	5 388 493	324 197	-	-	(1 643 705)	4 068 985
Other equipment	11 322 481	2 289 078	-	-	(4 112 292)	9 499 267
	5 537 229 300	**227 363 539**	**(3 424 606)**	**-**	**(277 265 855)**	**5 483 902 378**

Pledged as security

No property, plant and equipment was pledged as security for any financial liability. WIP consists of both infrastructure assets and community assets.

Notes to the Financial Statements

	2015	2014

11. Heritage assets

	2015			2014		
	Valuation		Carrying value	Valuation		Carrying value
Historical buildings	4 747 835		4 747 835	4 747 835		4 747 835
Mayoral chains	2 356 514	-	2 356 514	2 356 514	-	2 356 514
Total	**7 104 349**	**-**	**7 104 349**	**7 104 349**	**-**	**7 104 349**

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	4 747 835	4 747 835
Mayoral chains	2 356 514	2 356 514
	7 104 349	**7 104 349**

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	4 747 835	4 747 835
Mayoral chains	2 356 514	2 356 514
	7 104 349	**7 104 349**

Pledged as security

No heritage asset was pledged as security for any financial liability. A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

12. Trade and other payables

Accrued bonus	9 092 246	8 403 688
Accrued leave pay	57 768 433	53 935 191
Deposits received - Halls and facilities	20 463	31 654
Eskom	619 760 862	422 430 094
Payments received in advance from consumer receivables	31 562 545	24 192 572
Salary control accounts	24 472 852	21 159 619
Sedibeng Water Board	1 167 962 455	903 261 162
Trade payables	281 992 969	172 706 323
	2 192 632 825	**1 606 120 303**

Notes to the Financial Statements

	2015	2014

12. Trade and other payables (continued)

Included in above is payables from exchange transactions		
Accrued bonus	9 092 246	8 403 688
Accrued leave pay	57 768 433	53 935 191
Eskom	619 760 862	422 430 094
Payments received in advance from consumer receivables	31 562 545	24 192 572
Salary control accounts	24 472 852	21 159 619
Sedibeng Water Board	1 167 962 455	903 261 162
Trade payables	281 992 969	172 555 783
	2 192 612 362	**1 605 938 109**

Included in above is payables from non-exchange transactions		
Deposits received	20 463	31 654

13. Consumer deposits

Electricity and water	30 231 537	31 765 750

Guarantees held in lieu of electricity and water deposits amounted to R 2,792,366 (2014: R 1,723,571).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximate their fair values.

14. Unspent conditional grants

Unspent conditional grants comprises of:

Unspent conditional grants and receipts		
Integrated national electrification programme (INEP)	1 018 931	691 755
Municipal infrastructure grant (MIG)	-	1 060 611
Sector Education and Training Authority (SETA)	2 324 817	1 749 189
Energy Efficiency and Demand Side Management Programme (EEDSM)	1 936 848	3 845 615
Extended Public Work Programme (EPWP)	743 889	-
	6 024 485	**7 347 170**

The balances will be recognised as revenue when the qualifying expenditure is incurred. Refer to note 20 for detail of grants recognised as revenue from other spheres of government.

Grants were withheld from equitable share in the prior reporting period due to unfulfilled conditions. Refer to note 20.

	2015	2014

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Discounting	Total
Rehabilitation of landfill sites	49 363 059	780 973	50 144 032

Reconciliation of provisions - 2014

	Opening Balance	Discounting	Total
Rehabilitation of landfill sites	48 910 454	452 605	49 363 059

	2015	2014
Non-current liabilities	49 025 542	48 582 086
Current liabilities	1 118 490	780 973
	50 144 032	**49 363 059**

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, 2002 (Act No. 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The discount rate used for the landfill sites is based on a risk free rate which is in line with the useful life of the landfill sites.

The municipality has five active landfill sites, as per the asset register:

Landfill	**Estimated useful life**
Allanridge	10 years
Henneman (Phomolong)	13 years
Odendaalsrus	25 years
Virginia (Transfer Station)	13 years
Bronville (Welkom)	7 years

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Notes to the Financial Statements

	2015	2014

16. Employee benefits

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

The members are made up out of in-service members 1,399 (2014: 1,320) and continuation members 218 (2014: 182).

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Discovery
- Hosmed
- Key-health
- LA Health
- Samwumed

Long service benefits

The municipality's liability for long-service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALBGC) is sued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 10 Years	3%	10 days
> 15 Years	4%	10 days
> 20 Years	5%	15 days
> 25 Years	6%	15 days
> 30 Years	6%	15 days
> 35 Years	6%	15 days

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

	2015	2014
Carrying value		
Present value of the employee benefit obligations-wholly unfunded	(349 773 364)	(322 410 090)

These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

Notes to the Financial Statements

	2015	2014

16. Employee benefits (continued)

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

Opening balance	322 410 090	305 077 529
Net expense recognised in the statement of financial performance	27 363 274	17 332 561
	349 773 364	**322 410 090**

Net expense recognised in the statement of financial performance

Service cost	15 592 248	15 413 844
Interest cost	28 406 622	27 684 530
Actuarial gains	(3 339 864)	(16 855 422)
Expected benefits paid	(13 295 732)	(8 910 391)
	27 363 274	**17 332 561**

Calculation of actuarial gains and losses

Actuarial gains – Obligation	(3 339 864)	(16 855 422)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,00 %	9,00 %
Medical aid inflation rate	8,00 %	8,00 %
Net discount rate	0,93 %	0,93 %
Continuation percentage	90,00 %	90,00 %

Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme option as at 2015.

Retirement age, it has been assumed that both male and female members retire at age 63. No allowance has been made for early retirement either due to ill health or at the option of the member.

Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement.

Pre-retirement, mortality of continuation members and withdrawal rates are in accordance with SA56-62 male and female tables.

Post-retirement, mortality of continuation members and withdrawal rates are in accordance with PA(90) ultimate male and female tables with a 2 year reduction in age, assuming that there is a 4 year age difference between male and female spouse.

The valuation is based on the Projected Unit Credit valuation method.

Notes to the Financial Statements

	2015	2014

16. Employee benefits (continued)

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
Employee benefit obligations	389 967 886	276 300 537
Service and interest costs	50 365 576	39 692 230

The municipality expects to pay benefits of R 8,297,692 towards post-retirement medical aid and R 4,998,040 towards long service benefits to its employee benefits in the next financial year.

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

	2015	2014	2013	2012
Employee benefit obligation	(349 773 364)	(322 410 090)	(305 077 529)	(245 392 909

Defined contribution plans

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different defined retirement contribution plans which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

The following plans are multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

	2015	2014
The amount recognised as an expense for defined contribution plans is	27 363 274	17 332 561

17. Financial instruments disclosure

Categories of financial instruments

. **Financial instruments disclosure (continued)**

2015

Financial assets

	At fair value	At amortised cost	Total
Investments	-	18 862 179	18 862 179
Other receivables	-	10 491 717	10 491 717
Consumer receivables	-	939 869 118	939 869 118
Cash and cash equivalents	-	1 515 495	1 515 495
Non-current investments	339 207	-	339 207
Non-current consumer receivables	-	350 382	350 382
	339 207	**971 088 891**	**971 428 098**

Financial liabilities

	At amortised cost	Total
Trade and other payables	2 213 683 427	2 213 683 427
Consumer deposits	30 231 537	30 231 537
Bank overdraft	1 559 372	1 559 372
	2 245 474 336	**2 245 474 336**

2014

Financial assets

	At fair value	At amortised cost	Total
Investments	-	10 580 227	10 580 227
Other receivables	-	4 252 346	4 252 346
Consumer receivables	-	539 574 792	539 574 792
Cash and cash equivalents	-	2 371 131	2 371 131
Non-current investments	322 082	15 777 435	16 099 517
Non-current consumer receivables	-	1 611 777	1 611 777
	322 082	**574 167 708**	**574 489 790**

Financial liabilities

	At amortised cost	Total
Trade and other payables	1 581 927 731	1 581 927 731
Consumer deposits	31 765 750	31 765 750

Notes to the Financial Statements

	2015	2014
. Financial instruments disclosure (continued)		
	1 613 693 481	**1 613 693 481**

18. Revenue

	2015	2014
Commissions received	9 778 521	10 052 504
Dividends received	14 608	15 648
Fines	11 499 998	3 245 269
Government grants and subsidies	586 347 372	617 641 769
Interest received	107 151 515	129 041 338
Licences and permits	48 905	37 730
Other income	15 599 000	15 479 579
Property rates	192 549 129	192 976 982
Rental of facilities and equipment	11 203 009	10 303 659
Service charges	942 577 378	825 232 349
	1 876 769 435	**1 804 026 827**

	2015	2014
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commissions received	9 778 521	10 052 504
Dividends received	14 608	15 648
Interest received - investment	107 151 515	129 041 338
Licences and permits	48 905	37 730
Other income	15 599 000	15 479 579
Rental of facilities and equipment	11 203 009	10 303 659
Service charges	942 577 378	825 232 349
	1 086 372 936	**990 162 807**

	2015	2014
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	192 549 129	192 976 982
Transfer revenue		
Government grants and subsidies	586 347 372	617 641 769
Fines	11 499 998	3 245 269
	790 396 499	**813 864 020**

	2015	2014

19. Investment revenue

Dividend revenue		
Unlisted shares - Local	14 608	15 648
Interest revenue		
Bank and investments	4 351 619	6 302 888
Interest charged on consumer receivables	102 799 896	122 738 450
	107 151 515	**129 041 338**
	107 166 123	**129 056 986**

	2015	2014

20. Government grants and subsidies

Operating grants

	2015	2014
Equitable share	416 018 000	423 409 000
Finance Management Grant (FMG)	1 600 000	1 550 000
Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Sector Education and Training Authority (SETA)	312 059	1 563 177
Expanded Public Works Program (EPWP)	395 111	1 000 000
National Treasury - Neighbourhood development programme	-	100 000
	419 259 170	428 512 177
Capital grants		
Energy Efficiency and Demand Side Management Programme (EEDSM)	5 908 767	2 312 385
Integrated National Electrification Program (INEP)	3 872 824	908 244
Municipal Infrastructure Grant (MIG)	157 306 611	185 908 963
	167 088 202	189 129 592
	586 347 372	**617 641 769**

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Finance Management Grant (FMG)

	2015	2014
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.

Municipal systems improvement grant (MSIG)

	2015	2014
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Sector Education and Training Authority (SETA)

	2015	2014
Balance unspent at beginning of year	1 749 189	2 285 743

	2015	2014

20. Government grants and subsidies (continued)

Current-year receipts	887 687	1 026 623
Conditions met - transferred to revenue	(312 059)	(1 563 177)
	2 324 817	**1 749 189**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to do skills development among employees and improve the auditing skills for municipalities.

Integrated national electrification program (INEP)

Balance unspent at beginning of year	691 755	1 099 999
Current-year receipts	4 200 000	1 600 000
Conditions met - transferred to revenue	(3 872 824)	(908 244)
Grants withheld by National Treasury through equitable share	-	(1 100 000)
	1 018 931	**691 755**

Conditions still to be met - remain liabilities (see note 14).

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Energy Efficiency and Demand Side Management Programme (EEDSM)

Balance unspent at beginning of year	3 845 615	1 300 000
Current-year receipts	4 000 000	6 158 000
Conditions met - transferred to revenue	(5 908 767)	(2 312 385)
Grants withheld by National Treasury through equitable share	-	(1 300 000)
	1 936 848	**3 845 615**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	1 060 611	33 926 574
Current-year receipts - DoRA	156 246 000	189 907 000
Conditions met - transferred to revenue	(157 306 611)	(185 908 963)
Grants withheld by National Treasury through equitable share*	-	(36 864 000)
	-	**1 060 611**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Financial Statements

	2015	2014

20. Government grants and subsidies (continued)

* In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

National Treasury - Neighbourhood development programme

	2015	2014
Current-year receipts	-	100 000
Conditions met - transferred to revenue	-	(100 000)
	-	**-**

The purpose of this grant is to fund a project manager for the neighbourhood development programme.

Expanded Public Works Programme (EPWP)

	2015	2014
Current-year receipts	1 139 000	1 000 000
Conditions met - transferred to revenue	(395 111)	(1 000 000)
	743 889	**-**

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. Other income

	2015	2014
Connection fees	786 379	861 745
Disconnection fees	7 473 626	5 860 604
Meter fees	1 240 770	1 163 574
Monitoring fees	972 548	780 910
Services rendered	2 523 756	2 055 894
Sundry income	1 357 527	2 199 736
Sundry services	1 244 394	2 557 116
	15 599 000	**15 479 579**

	2015	2014

22. Property rates

Rates received

Commercial	68 780 684	63 999 671
Residential	50 239 334	60 318 925
Small holdings and farms	43 773 341	33 907 352
State	29 755 770	34 751 034
	192 549 129	**192 976 982**

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Commercial	2 345 932 900	2 307 336 900
Residential	11 065 242 201	10 854 774 850
Small holdings and farms	2 904 799 620	2 905 199 620
State	1 362 493 600	1 352 942 600
Exempted	1 348 750 275	1 290 096 168
	19 027 218 596	**18 710 350 138**

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2011, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The next general valuation was performed in the 2014/15 financial year and was implemented on 01 July 2015.

The first R 75,000 of the valuation of residential property is exempted from rates.

23. Rental of facilities

Premises		
Premises	10 924 265	10 099 360
Facilities		
Rental of facilities	278 744	204 299
	11 203 009	**10 303 659**

Notes to the Financial Statements

	2015	2014

24. Service charges

Sale of electricity	463 670 165	421 405 701
Sale of water	287 363 319	224 103 069
Sewerage and sanitation charges	119 016 747	111 070 534
Refuse removal	72 527 147	68 653 045
	942 577 378	**825 232 349**

Notes to the Financial Statements

	2015	2014

25. Employee related costs

Basic salaries	317 750 533	273 058 116
Bonuses	21 221 455	19 297 303
Pension	44 178 451	40 034 190
Other long term employee benefits	4 195 887	1 273 404
Employee benefits - Medical aid	9 511 550	6 503 453
Group life insurance	1 248 962	1 163 737
Housing allowances	5 581 889	4 622 820
Leave pay provision charge	13 099 591	11 685 612
Medical aid	34 415 811	36 566 876
Other allowance	17 141 638	15 847 395
Overtime payments	49 850 513	44 043 877
Transport allowance	29 055 401	26 048 795
UIF	3 176 995	2 828 428
	550 428 676	**482 974 006**

Remuneration of Municipal Manager - Ramathebane G

Annual Remuneration	120 967	1 229 440
Contributions to UIF, Medical and Pension Funds	301 946	223 944
	422 913	**1 453 384**

Remuneration of Municipal Manager - Lepheana M F

Annual Remuneration	812 843	-
Contributions to UIF, Medical and Pension Funds	14 450	-
	827 293	**-**

Remuneration of Chief Finance Officer - Tsoaeli E T

Annual Remuneration	933 674	165 055
Car Allowance	363 894	60 649
Contributions to UIF, Medical and Pension Funds	173 475	17 041
	1 471 043	**242 745**

The Chief Financial Officer was appointed on 1 May 2014, thus the remuneration reflected in the prior year is for a period of 2 months.

Remuneration of Director Infrastructure - Besani M F

Annual Remuneration	-	788 050
Contributions to UIF, Medical and Pension Funds	-	1 069

	2015	2014

25. Employee related costs (continued)

	-	**789 119**

Remuneration of Director Infrastructure - Tlhabane H B

	2015	2014
Annual Remuneration	148 336	-
Car Allowance	40 000	-
Contributions to UIF, Medical and Pension Funds	4 595	-
	192 931	**-**

The Director Infrastructure was appointed in May 2015, thus the remuneration reflected in the current year is for a period of 2 months.

Remuneration of Director Corporate Services - Lepheana M F

	2015	2014
Annual Remuneration	782 534	1 189 015
Contributions to UIF, Medical and Pension Funds	1 041	1 785
	783 575	**1 190 800**

Remuneration of Director Corporate Services - Wetes

	2015	2014
Annual Remuneration	251 260	-
Contributions to UIF, Medical and Pension Funds	446	-
	251 706	**-**

The Director Corporate Services was appointed in April 2015, thus the remuneration reflected in the current year is for a period of 3 months.

Remuneration Director Strategic Support Services - Makhubu S

	2015	2014
Annual Remuneration	702 486	1 133 307
Contributions to UIF, Medical and Pension Funds	892	1 785
	703 378	**1 135 092**

Remuneration Director Strategic Support Services - Makofane T B

	2015	2014
Annual Remuneration	475 174	-
Contributions to UIF, Medical and Pension Funds	7 153	-
	482 327	**-**

	2015	2014

25. Employee related costs (continued)

The Director Strategic Support Services was appointed in February 2015, thus the remuneration reflected in the current year is for a period of 5 months.

Remuneration Director Community Services - Mogopodi M R E

Annual Remuneration	889 492	915 894
Car Allowance	143 319	143 320
Contributions to UIF, Medical and Pension Funds	162 516	149 015
	1 195 327	**1 208 229**

Remuneration Director Local Economic Development - Msweli X F

Annual Remuneration	1 084 299	1 035 158
Car Allowance	132 000	132 000
Contributions to UIF, Medical and Pension Funds	45 201	42 610
	1 261 500	**1 209 768**

26. Remuneration of councillors

Councillors - Part time	15 758 045	15 507 075
Executive Mayor	901 590	866 207
Mayoral Committee Members	6 727 622	6 350 362
Speaker	2 062 024	1 958 694
	25 449 281	**24 682 338**

In-kind benefits

The Executive Mayor has use of a separate Council owned vehicle for official duties, one full-time driver and a bodyguard.

The Speaker has use of a separate vehicle for official duties and a part-time driver.

The Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

Remuneration Executive Mayor - Ngangelizwe S

Annual Remuneration	650 135	566 677
Car Allowance	154 573	206 097
Contributions to UIF, Medical and Pension Funds	96 882	93 433
	901 590	**866 207**

Remuneration Speaker - Stofile C

Notes to the Financial Statements

	2015	2014

26. Remuneration of councillors (continued)

Annual Remuneration	472 086	417 173
Car Allowance	167 351	164 877
Contributions to UIF, Medical and Pension Funds	80 511	77 751
	719 948	**659 801**

Remuneration Council Whip - Semela M J

Annual Remuneration	457 972	404 913
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	61 392	58 805
	676 255	**618 290**

Remuneration Council Whip - Twala M J

Annual Remuneration	457 972	-
Car Allowance	156 891	-
Contributions to UIF, Medical and Pension Funds	61 392	-
	676 255	**-**

Remuneration Executive Councillor Policy and Planning - Khalipha T D

Annual Remuneration	-	389 887
Car Allowance	-	154 572
Contributions to UIF, Medical and Pension Funds	-	73 831
	-	**618 290**

Remuneration Executive Councillor Policy and Planning - Ntsebeng

Annual Remuneration	402 688	-
Car Allowance	141 716	-
Contributions to UIF, Medical and Pension Funds	68 873	-
	613 277	**-**

Remuneration Executive Councillor Community Services - Kotzee D

	2015	2014

26. Remuneration of councillors (continued)

Annual Remuneration	-	363 030
Car Allowance	-	141 691
Contributions to UIF, Medical and Pension Funds	-	67 538
	-	**572 259**

Remuneration Executive Councillor Finance - Mbana M A

Annual Remuneration	442 946	389 887
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	76 418	73 831
	676 255	**618 290**

Remuneration Executive Councillor Technical Services - Menyatso K J

Annual Remuneration	442 946	389 887
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	76 418	73 831
	676 255	**618 290**

Remuneration Executive Councillor Corporate Services - Mfebe M S E

Annual Remuneration	442 946	389 887
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	76 418	73 831
	676 255	**618 290**

Remuneration Executive Councillor Social Services - Radebe M L

Annual Remuneration	442 946	389 887
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	76 418	73 831
	676 255	**618 290**

Remuneration Executive Councillor Local Economic Development - Rubulana L

Notes to the Financial Statements

	2015	2014

26. Remuneration of councillors (continued)

Annual Remuneration	457 972	404 913
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	61 392	58 805
	676 255	**618 290**

Remuneration Executive Councillor Public Safety - Sephiri M J

Annual Remuneration	442 946	389 887
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	76 418	73 831
	676 255	**618 290**

Remuneration Executive Councillor Human Settlements - Taliwe F E

Annual Remuneration	457 972	404 913
Car Allowance	156 891	154 572
Contributions to UIF, Medical and Pension Funds	61 392	58 805
	676 255	**618 290**

Remuneration Executive Councillor Special Programmes - Tlhone M L

Annual Remuneration	537 634	483 118
Car Allowance	48 000	48 000
Contributions to UIF, Medical and Pension Funds	90 621	87 172
	676 255	**618 290**

Remuneration Executive Councillor Public Accounts - Masienyane M D

Annual Remuneration	-	30 110
Car Allowance	-	12 022
Contributions to UIF, Medical and Pension Funds	-	5 957
	-	**48 089**

The Councillor was appointed on 1 June 2014, thus the remuneration reflected in the prior year is for a period of 1 month.

Notes to the Financial Statements

	2015	2014

27. Depreciation and impairment

Property, plant and equipment	253 653 630	276 258 614
Investment property	6 691 979	6 691 979
	260 345 609	**282 950 593**

28. Finance costs

Employee benefits	28 406 622	27 684 530
Borrowings	-	1 388 598
Trade and other payables	147 211 207	103 216 290
Cash and cash equivalents	(1 538 421)	112 049
Provisions	780 973	452 605
	174 860 381	**132 854 072**

29. Debt impairment

Contributions to consumer receivables debt impairment provision	73 512 082	38 941 330

30. Bulk purchases

Electricity	341 427 981	336 813 554
Water	403 831 296	328 431 685
	745 259 277	**665 245 239**

31. Contracted services

Legal services	17 845 448	20 772 889
Meter reading services	17 683 977	22 693 330
Professional services	28 834 306	53 327 112
Security services	27 740 100	23 632 318
Valuation services	7 959 635	-
	100 063 466	**120 425 649**

Notes to the Financial Statements

	2015	2014

32. Grants and subsidies paid

33. General expenses

	2015	2014
Advertising	4 107 147	3 801 130
Assets expensed	506 924	140 204
Audit fees	5 564 863	7 277 976
Bank charges	2 857 784	4 002 975
Chemicals	204 962	162 566
Cleaning	841 354	603 455
Community development and training	4 022 238	1 509 331
Conferences and seminars	49 593	75 061
Donations	112 200	-
Entertainment	1 124 815	517 009
Insurance	29 050 115	27 618 378
License fees	2 706 817	4 650 936
Marketing	52 412	-
Medical expenses	44 336	-
Motor vehicle expenses	40 841 592	41 756 834
Operating cost of equipment	25 035 381	20 486 135
Pest control	102 807	158 154
Printing and stationery	2 039 439	1 781 236
Skills development levies	4 898 497	4 191 792
Subscriptions and membership fees	30 612 652	5 040 349
Sundry expenses	958 314	1 322 304
Telephone and fax	13 349 156	11 314 287
Training	2 108 892	9 733 718
Travel	3 360 053	2 947 291
Uniforms	1 514 415	1 907 058
Utilities	30 165 942	27 908 811
	206 232 700	**178 906 990**

34. Fair value adjustments

	2015	2014
Investments		
• Unlisted shares	17 125	19 482

35. Gain / (Loss) on disposal of assets

	2015	2014
Gain / (Loss) on disposal of assets	(40 423 875)	(3 322 618)

36. Comparative figures

Certain comparative figures have been reclassified to disclose and provide information that is more relevant to the users of the financial statements and to show each material class of similar items separately in the financial statements all aimed at complying with GRAP disclosure requirements for Employee Benefits. Thus to present items of dissimilar nature or function separately in the financial statements.

The effects of the reclassification are as follows:

Notes to the Financial Statements

	2015	2014

36. Comparative figures (continued)

Statement of Financial Performance		
(Decrease) in Fair value adjustments	-	16 855 422
Increase in Actuarial gain on employee benefits		(16 855 422)

37. Prior period errors

The following errors relating to prior year were identified in the current period and have been adjusted as indicated below:

-Traffic fines receivable accrual of 2013 was not reversed in the 2014 financial year and was incorrectly included under other receivables, overstating the balance by R 670,000.

- Sundry payments made after the cut-off date which related to the prior year were incorrectly omitted from the prior year ledger. Transactions were omitted from the trial balance as it was processed after the trial balance was soft locked for the annual financial statements preparation. Trade and other payables and VAT increased by R 150,540 and R 20,018 respectively.

- A new landfill provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life, which increased the provision by R 31,165,081.

- Management initiated a project to address the asset management challenges and appointed a consultant to recreate the asset registers to be GRAP compliant. Restatements were made due to omissions, duplications, incorrect classifications and the reconstruction of the capital work in progress schedule. Property, plant and equipment was restated and increased by R 197,510,048 and inventory was decreased by R 55,382,267.

Inidgent costs recognised in the prior year were derecognised against the relating service charge revenue in line with GRAP revenue requirements. The correction of the errors results in adjustments as follows:

Statement of Financial Position		
Decrease in Inventory	(55 382 267)	(55 382 267)
Decrease in Other receivables	(670 000)	(670 000)
Increase in VAT receivables	20 018	20 018
Increase in Property, plant and equipment	187 154 664	187 154 664
Increase in Trade and other payables	(150 540)	(150 540)
Increase in Provisions	(31 165 081)	(31 165 081)
Increase in Accumulated surplus	(110 162 178)	(118 404 043)

Statement of Financial Performance		
Decrease in Fines	-	670 000
Decrease in grants and subsidies paid	(30 710 734)	(29 457 023)
Decrease in revenue from service charges	30 710 734	29 457 023
Increase in Depreciation and amortisation	-	7 441 343
Increase in Repairs and maintenance	-	22 880
Increase in General expenses	-	107 642

Notes to the Financial Statements

38. Cash generated from operations

	2015	2014
Deficit	(323 331 190)	(147 240 152)
Adjustments for:		
(Gain) / loss on disposal of assets	40 423 875	3 322 618
Fair value adjustments	(17 125)	(19 482)
Debt impairment	73 512 082	38 941 330
Depreciation and amortisation	260 345 609	282 950 593
Dividends received	(14 608)	(15 648)
Non-cash movements in employee benefits	15 592 248	15 413 844
Actuarial gain on employee benefits	(3 339 864)	(16 855 422)
Correction of prior year errors	-	108 048 659
Finance costs	176 398 802	132 742 023
Interest received	(107 151 515)	(129 041 338)
Changes in working capital:		
Inventories	(428 960)	51 893 495
Other receivables	(6 239 371)	(658 073)
Consumer receivables	(399 032 931)	(335 566 290)
Trade and other payables	468 589 129	472 161 608
VAT	(28 726 348)	(25 081 008)
Consumer deposits	(1 534 213)	1 568 961
Unspent conditional grants	(1 322 685)	(31 502 146)
Employee benefits	(13 295 732)	(8 910 391)
Provisions	-	42 360 454
	150 427 203	**454 513 635**

	2015	2014

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	52 774 117	75 866 302

This committed expenditure relates to infrastructure assets and will be financed by available bank facilities, existing cash resources, grants and funds internally generated.

Operating expenditure

Operating expenditure	30 383 408	29 694 695
Operating expenditure - open orders	6 817 170	3 085 553
Professional fees	2 541 887	8 376 370

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	138 279	402 864
- in second to fifth year inclusive	26 459	544 265
	164 738	**947 129**

The municipality has operating lease agreements for the following classes of assets:
- Motor vehicles
- Software licenses

Leases are negotiated for an average term of three years and rentals are fixed for the three years. There are no annual escalations in the contracts and no contingent rent is payable.

	2015	2014

40. Contingencies

The Municipality has the following contingent liabilities:

Court proceedings:
The following cases against the municipality have been recorded as contingent liabilities as there is uncertainty as to the outcome of the cases. The municipality is defending the cases. The potential legal costs have not been included in the claims.

	2015	2014
Koth Properties Koth Properties was appointed to prepare general valuation to be executed and completed. The agreement was terminated by the municipality due to failure to meet time frame agreed upon and submission of report which is characterized by a lot of omissions, uncertainties and confusion. Koth Properties issued a combined summons against the municipality for breach of contract.	-	14 400 000
Fujitsu Services (Pty) Ltd The municipality was issued with a combined summons from Fujitsu Services (Pty) Ltd. Fujitsu Services (Pty) Ltd alleged that a contract was entered into for “customer improvement service framework agreement”. In terms of the agreement the plaintiff undertook to design, implement and deliver customer care improvement services and same was alleged to have been performed and invoices were produced to the municipality for payment.	7 051 943	7 051 943
Chief Chunda & Associates On 28 June 2013, the municipality was served with summons from Chief Chunda & Associates. The service provider alleges that they were appointed for the implementation of a water conservation and demand management program in February 2011. They further alleged to have discharged their obligations as per the agreement and as a result of the municipality’s unlawful conduct he had suffered damages.	6 710 263	6 710 263
Afribatho Design During October 2013, notice of proposed legal proceedings and letter of demand was issued by Messrs Symington & De Kok acting on behalf of the plaintiff. Subsequently a summons as served to the municipality on 22 November 2013 by the plaintiff claiming payment together with interests for professional services rendered in respect of the service agreement. The municipality is defending the main action and application for exception is scheduled for August 2014.	5 870 235	5 870 235
Tanker Project Solutions CC The municipality was issued with a combined summons from Tanker Project Solutions CC claiming payment. Tanker Project Solutions CC alleged that they entered into a written agreement wherein they would act as a consultant for the municipality in respect of the planning, design, supervision of infrastructure projects, development and implementation of technical assistance projects in terms of tender notice 29/2009.	3 000 000	3 000 000
MMS Collections (Pty) Ltd The municipality was issued with letter of demand, claiming payment for an amount alleged to be agreed between the parties involved. The municipality has since instructed its attorneys to settle the matter out of court. The municipality is engaging with the plaintiff attorneys on settlement negotiations.	2 870 649	2 870 649

Ramabulana Investment Services (Pty) Ltd

Notes to the Financial Statements

	2015	2014
40. Contingencies (continued)		
The municipality was served with combined summons from Ramabulana Investment Municipality Services (Pty) Ltd. The plaintiff alleges that they have performed in terms of the contract and the defendants are refusing / reluctant to remunerate for service rendered. The municipality has opposed the application and in addition has also filed a counter application.	1 517 941	1 821 367
Mr. C G Jacobs		
Mr. Jacobs, an employee of Council, indicated in 2003 of his intention to resign from the municipality at the retirement age of 60 (sixty). A few days before his retirement, he was advised by a fellow colleague, to reserve his rights in the matter as there was a strong indication that the rules of the Free State Pension Fund were to change allowing employees to retire only at the age of 65. Although Mr. Jacobs wrote to Council informing it that he reserves his right not to retire pending the outcome of the decision of the Free State Pension Fund, he (Mr. Jacobs) filled out the application forms for his pension funds to be released which subsequently occurred. Council informed him on 1 October 2003 to vacate his office. The Municipality lost its arguments at arbitration. The matter was removed from the roll pending settlement negotiations. Facts and witnesses need to be prepared in order to rebut the plaintiff's allegations.	-	1 881 172
Mr. F S Sale & 82 Others		
The plaintiffs in the matter herein alleges that they are entitled to certain amount of payment for work performed on Saturdays and Sundays since 2004. They further allege that notwithstanding their demands the municipality refuses and/or neglects to pay such services. A round table meeting has been arranged with respective departments on a way forward and in an attempt to establish the defence.	1 579 966	1 579 966
Gain Industries CC & Craft Hydraulic Services		
On 23 April 2013, the municipality was served with summons by the plaintiff. Plaintiff alleges that he rendered professional services to the municipality during 2012 on the municipality's special request and instance. The matter has been set down for 28-29 October 2014.	360 628	360 628
Mr. T J Njilo		
On 20 August 2012, a notice was issued against Mr. Njilo for contravening with section 4 of the National Building Regulations and Building Standard Act 103 of 1977 in that he erected illegal structure made to the property on the ground that the buildings do not comply with the provisions of the National Building Regulations and Building Standard Act 103 of 1977. The application was dismissed on a pint in limine that the municipal manager does not have the locus standi to launch such application. The matter was the taken on appeal.	-	100 000
Mr. J J Human		
Mr. Human was appointed as an audit committee member for the municipality. He further indicated that subsequent to his appointment he attended several meetings as scheduled. He was paid R 11,855 for all sittings as well as travel costs however there are still amounts outstanding. On 29 April 2013 Mr. Human issued summons against the municipality.	19 422	19 422
Oppenheimer Golf Club		

Notes to the Financial Statements

	2015	2014

40. Contingencies (continued)

The municipality is being sued by the following plaintiffs: Aurus Capital - R350 000 Rescue Rod - R280 000 Maria Tshabangu - R600 000 Erf 7185 Properties (Pty) Ltd and Phidana Properties (Pty) Ltd - R640 000 Maree van Wyk - R20 000 000 Goldfields Radiators - R5 200 000 Modisenyana - R3 200 000 Phakama Security Services - R4 275 143 Marius Heunis - R30 559	34 575 702	-
Dumansi Trading Served with Summons demanding payment of R 209,247 (two hundred and nine thousand, two hundred and forty six rand and seventy one cents). The amount claimed is alleged to be for Cession Agreement entered into the Municipality and Patsa Civil Works.	209 247	-
De Bruin Trust On the 30th July 2014, Municipality was served with a letter of demand together with Summons ,claiming payment in the sum of R305,663 (three hundred and five thousand , six hundred and sixty two rand and fifty nine cents) alleged to be payment for Cession Agreement entered into.	305 663	-
Department of Labour The municipality has not submitted the 2012/13 financial information to the department. Thus the department hasn't assessed the municipality for the 2013/14 financial year's workmen's compensation insurance.	-	4 562 639
	64 071 659	**50 228 284**

Contingent assets

Remuneration of councillors
The municipality did not remunerate its political office bearers and members of its political structures within the framework of the Public Offices Bearers Act, 1998 (Act. No. 20 of 1998) due to differences of opinion of the grading of the municipality. In terms of section 167(2) of the MFMA, the municipality must recover these overpayments.

These amounts have not been accounted for as a receivable at year-end as there is currently uncertainty surrounding the outcome of the dispute. The grading of the municipality will be finalised once a conclusion is reached based on the meeting to be held between the municipality, SALGA and CoGTA.

Supply of bulk electricity - Eskom Holdings SOC LTD
The validity of the electricity supply agreement between the municipality and Eskom, the billing system used, tariffs applied and the charging of compound interest since 2000 are disputed. Resolution of this dispute may result in recovery/adjustment of amounts paid/billed.

Supply of bulk water - Sedibeng Water Board
Charges for the supply of water and arrear interest by Sedibeng Water Board, to the value of R 570,000,000 are disputed by the municipality. The attorneys have advised the municipality that the amount of R 570,000,000 in their view has prescribed. They further advised that should the matter finally reach the court, there are prospects of success that the court may rule in favour of the municipality. Furthermore, should judgement be in favour of the municipality the total amount owed to Sedibeng Water Board will be significantly reduced. Resolution of this dispute may result in recovery/adjustment of amounts paid/billed.

41. Related parties

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Related party relationships

Members of key management	Refer to general info and note 25 - Employee related costs
Members of the Council	Refer to general info and note 26 - Remuneration of councillors

Related party balances

No related party balances were identified for the current and prior reporting period.

Related party transactions

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

42. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:
- Suppliers were not paid within the legislative 30 days;
- There are a material increase in outstanding trade and other payables;
- Unspent conditional grant liabilities are not backed up by available cash balances;
- Employee benefit obligations are unfunded;
- Slow collection and low recoverability of outstanding consumer receivables; and
- Unfavourable financial ratio's.

The municipality is exploring alternative options to improve its financial position.

Although certain financial ratio's may appear unfavourable, the municipality 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, 2014 (Act No. 10 of 2014).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to source funding for the ongoing operations for the municipality.

43. Events after the reporting date

No significant events occurred after the reporting date.

44. Unauthorised expenditure

	2015	2014
Opening balances	3 698 128 927	3 244 888 921
Unauthorised expenditure - operating expenditure	443 303 655	453 240 006
	4 141 432 582	**3 698 128 927**

Unauthorised expenditure relate to expenditure incurred that were not budgeted for per department vote (budget overspending).

	2015	2014

44. Unauthorised expenditure (continued)

The unauthorised expenditure are not recoverable and no criminal or disciplinary steps have been taken as a result of such unauthorised expenses.

45. Fruitless and wasteful expenditure

Opening balance	337 705 181	233 871 316
Fruitless and wasteful expenditure	151 822 061	103 833 865
	489 527 242	**337 705 181**

Fruitless and wasteful expenditure include interest charged for late payment to suppliers.

The fruitless and wasteful expenditure are not recoverable, no criminal or disciplinary steps were taken as a result of the expenditure and were written off in the year incurred.

46. Irregular expenditure

Opening balance	484 659 738	399 533 588
Irregular expenditure	226 054 096	85 126 150
	710 713 834	**484 659 738**

47. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

Capital risk management
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide municipal services and infrastructure development and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists out of debt, which includes borrowings in note , finance leases in note , cash and cash equivalents disclosed in note 8 and net assets as disclosed in the Statement of Financial Position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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

	2015	2014

47. Risk management (continued)

Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	2 122 349 896	-	-	-
Consumer deposits	30 231 537	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 498 278 693	-	-	-
Consumer deposits	31 765 750	-	-	-

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 investments, cash deposits, cash equivalents, consumer and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality limits its credit risk by only banking and investing with registered financial institutions, in terms of the Banks Act, 94 of 1990, operating in South Africa. Given the high credit rating of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

Consumer 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.

Non-current consumer receivables and other receivables are individually evaluated annually at year end for impairment and discounting.

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

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Financial instrument	2015	2014
Current investments	18 862 179	10 580 227
Other receivables	10 491 717	4 252 346
Current consumer receivables	939 869 118	539 574 793
Cash and cash equivalents	1 515 495	2 371 131
Non-current investments	339 207	16 099 517
Non-current consumer receivables	350 382	1 611 776

Market risk

	2015	2014

47. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term loans.

The municipality’s interest rate risk arises from long-term borrowings and finance lease obligations. Instruments issued at variable rates expose the municipality to cash flow interest rate risk. Instruments issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality had no long-term floating rate financial instruments at year end requiring an interest rate sensitivity analysis.

The municipality had no financial liabilities which expose the municipality to interest rate risk, as all finance lease obligations and borrowings were settled.

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Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality does not invest in more equity securities as it is prohibited by the MFMA.

Surplus and deficit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Current year membership fee	6 423 460	5 018 120

Being the subscription fee to the South African Local Government Association (SALGA).

Material losses

	2015	2014
Distribution losses - Electricity	80 767 714	91 916 893
Distribution losses - Water	125 272 583	107 189 324
	206 040 297	**199 106 217**

There were no material losses through criminal conduct.

	2015	2014

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

Audit fees

Opening balance	5 091 182	2 842 959
Fees	7 657 003	7 354 734
Payments	(10 488 253)	(5 106 511)
	2 259 932	**5 091 182**

PAYE, UIF and SDL

Opening balance	6 079 578	5 261 654
Current year payroll deductions and council contributions	77 431 139	67 264 469
Amount paid - current year	(70 914 692)	(61 184 891)
Amount paid - previous years	(6 079 578)	(5 261 654)
	6 516 447	**6 079 578**

Pension and medical aid deductions

Opening balance	10 042 532	9 449 657
Current year payroll deductions and council contributions	132 993 960	118 608 372
Amount paid - current year	(121 720 063)	(108 565 840)
Amount paid - previous years	(10 042 532)	(9 449 657)
	11 273 897	**10 042 532**

	2015	2014

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

Councillors' arrear consumer accounts

The following Councillors had accounts outstanding at 30 June 2015:

30 June 2015	Outstanding more than 90 days R	Total R
Banyane M E	4 919	4 919
Kabi M	5 427	5 427
Kockera S C	134 362	134 362
Mabote T L	12 716	12 716
Madumise M M	6 974	6 974
Mholo P P	4 098	4 098
Mlangeni M G	6 337	6 337
Ntlele K I	22 931	22 931
Phetise M E	10 518	10 518
Pina M J	1 034	1 034
Qwesha S W	1 975	1 975
Speelman N W	34 044	34 044
Tsubane M E	55 330	55 330
	300 665	**300 665**

30 June 2014	Outstanding more than 90 days R	Total R
Badenhorst M J	8 779	8 779
Banyane M E	1 156	1 156
Fanie D S	2 746	2 746
Mabote T L	662	662
Mholo P P	7 915	7 915
Mlangeni M G	720	720
Molelekoa P MI	1 005	1 005
Motshabi M P	3 265	3 265
Ntlele K I	20 455	20 455
Ntsebeng M H	16 289	16 289
Phetise M E	13 818	13 818
Qwesha S W	18 648	18 648
Semela M J	61 984	61 984
Speelman N W	34 810	34 810
Tlhone M L	22 878	22 878
Tsubane M E	50 879	50 879
Twanana M	10 927	10 927
	276 936	**276 936**

49. Budget differences

Material differences between budget and actual amounts

Variance Explanations

The budget is approved on an accrual basis by functional classification. The budget and the accounting bases are both on the accrual basis. The annual financial statements are prepared using the functional classification of expenses in the Statement of Financial Performance.

Basis for material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue, operating expenditure and capital expenditure versus the final budget as material.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

- Commission received: No commission was budgeted for.
- Dividends received: No dividends received were budgeted for.
- Interest received: The main reason for the variance is a result of the higher consumer receivable base.
- Licenses and permits: No licenses and permits were budgeted for.
- Other income: The main reason for the variance is excessive budgeting and the inclusion of surplus cash: contribution to capital in other income.
- Rental of facilities: The main reason for the variance is as a result of the under budgeting for rental facilities.
- Service charges: The main reason for the variance is dependent on consumption.
- Fines: The main reason for the variance is due to excessive budgeting.
- Government grants and subsidies: The main reason for the variance is that the format of the budget change, in the past the capital grants did not form part of the statement of the financial performance, however this year it was budgeted for.
- Property Rates: The main reason for the variance is as a result of the dispute being resolved between the National and Provincial government. The two departments paid their arrears during the financial year.
- Employee related costs: The variance is as a result of the filling of vacancies and the permanent appointment of contract workers.
- Depreciation and amortizatioN: The municipality did not budget for deprecation.
- Finance cost: The reason for the variance is as a result of the interest due on overdue bulk purchase creditors.
- Debt Impairment: The budget made provision for debt write-off which did not materialized during the financial year. The write-off happened subsequent to year end.
- Repairs and maintenance: The reason for the variance is due to the under spending on the budget which resulted from the cash flow constraints experienced during the year.
- Bulk purchases: The main reason for the variance is due to the mismatch between payments and expenses.
- Contracted services: The main reason for the variance is due to under-budgeting.
- Grants and subsidies paid: The municipality did not budget for grants and subsidies paid.
- General expenses: The main reason for the variance is due to the mismatch between payments and expenses.
- Fair value adjustments: The municipality did not budget for fair value adjustments on shares.
- Actuarial gain on employee benefits: The municipality did not budget for actuarial adjustments on employee benefits.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

50. 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 accounting officer and includes a note to the financial statements.

Deviations	Sole supplier	Emergency	Total
July 2014	-	335 878,43	335 878,43
August 2014	113 698,05	-	113 698,05
September 2014	35 394,15	199 500,00	234 894,15
October 2014	1 430 603,99	180 576,00	1 611 179,99
November 2014	1 971 022,83	2 437 631,89	4 408 654,72
December 2014	-	1 149 277,93	1 149 277,93
January 2015	-	676 893,33	676 893,33
February 2015	163 785,77	427 650,00	591 435,77
March 2015	609 084,50	1 521 242,95	2 130 327,45
April 2015	-	5 512 267,92	5 512 267,92
May 2015	247 515,20	3 359 412,19	3 606 927,39
June 2015	271 995,60	75 000,00	346 995,60
	4 843 100,09	15 875 330,64	20 718 430,73