Mantsopa Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor-General of South Africa (AGSA)

General Information

Legal form of entity	A Municipality which is a organ of state within the local sphere of government exercising legislative and executive authority
Nature of business and principal activities	A Local Authority providing municipality services and maintaining the best interest of the community in the Mantsopa municipal area.
Mayor	Clr S.D Ntsepe
Executive Committee	Clr M.A Majara (Speaker)
	Clr M.A Malakane
Councillors	Clr J Machakela
	Clr M.C Chomane
	Clr P.N Nakalebe
	Clr P.P Raboko
	Clr N.J Thaise
	Clr D.T Molefe
	Clr K.I Tigeli
	Clr A.L Kouveldt
	Clr G.M Seoe
	Clr Y.J Jacobs
	Clr D Holmes
	Clr B.M Sani
	Clr T Halse
Grading of local authority	03
Chief Finance Officer (CFO)	K.D Matsie
Accounting Officer	S.M Selepe
Business address	38 Joubert Street LADYBRAND 9745
Postal address	Private Bag X11 LADYBRAND 9745
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa (AGSA)
Attorneys	Thulo Attorneys, 75 Fontein Street, Ficksburg Morobane Inc, 21 Reid Street, Westdene, Bloemfontein
Telephone number	(051) 924 0654
Fax number	(051) 924 0020
Website	www.mantsopa.co.za

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

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Abbreviations

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

Accounting Officers Responsibilities and Approval

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

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

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

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

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

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

The financial statements are prepared on the basis that the municipality is a going concern and that the Mantsopa Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements, which have been prepared on the going concern basis, were approved by the council on 27 August 2015 and were signed on its behalf by:

S.M Selepe
Accounting Officer / Municipal Manager

Report of the Auditor General

To the Provincial Legislature of Mantsopa Local Municipality

Report on the financial statements

The report of the Auditor General will be included after the completion of the audit..

Auditor-General of South Africa (AGSA)

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 a local authority providing municipality services and maintaining the best interest of the community in the Mantsopa municipal area..

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 587,049,679 and that the municipality's total assets exceed its liabilities by R 587,049,679. Please refer to note 57 for further detail in this regard.

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 continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements prepared in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the post-retirement healthcare subsidy (“PRHS”) payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

Refer to note 13 for detail about this valuations.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year.

8. Accounting Officer

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

S.M Selepe	RSA

9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	4	700,007	702,360
Other Receivables from exchange transactions	6	4,686,170	2,381,087
Receivables from non-exchange transactions	7	6,791,202	7,948,338
Trade receivables from exchange transactions	8	38,013,721	38,099,111
Current portion of long term receivables	9	6,010	5,956
Cash and cash equivalents	10	7,197,621	7,339,375
		57,394,731	**56,476,227**
Non-Current Assets			
Investment property	11	32,799,573	30,168,793
Property, plant and equipment	12	640,463,171	725,260,319
Other financial assets	5	1,391,845	1,213,339
Long-term Receivables	9	196,571	202,580
		674,851,160	**756,845,031**
Total Assets		**732,245,891**	**813,321,258**
Liabilities			
Current Liabilities			
Borrowings	14	2,360,920	1,100,707
Finance lease obligation	15	-	1,151,090
Payables from exchange transactions	16	88,713,613	51,541,347
VAT Payable	17	302,661	14,411,800
Consumer deposits	21	1,342,073	1,261,912
Unspent conditional grants and receipts	18	223,401	5,729,080
		92,942,668	**75,195,936**
Non-Current Liabilities			
Borrowings	14	3,925,642	5,023,518
Finance lease obligation	15	-	-
Employee benefit obligation	13	39,823,000	35,426,000
Provisions	19	8,504,902	6,623,500
		52,253,544	**47,073,018**
Total Liabilities		**145,196,212**	**122,268,954**
Net Assets		**587,049,679**	**691,052,304**
Accumulated surplus	53	587,049,679	691,052,304

Statement of Financial Performance

	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	20	89,301,352	90,971,747
Interest received - outstanding debtors		22,214,556	18,869,495
Other income	27	2,786,186	3,636,098
Total revenue from exchange transactions		**114,302,094**	**113,477,340**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	12,437,677	12,668,156
Licences or Permits (Non-exchange)		877	690
Transfer revenue			
Government grants & subsidies	24	124,611,294	101,784,588
Donations	25	10,000	61,840
Fines, Penalties and Forfeits		535,620	491,350
Total revenue from non-exchange transactions		**137,595,468**	**115,006,624**
Total revenue	22	**251,897,562**	**228,483,964**
Expenditure			
Employee related costs	29	67,562,317	60,473,230
Remuneration of councillors	30	5,523,627	4,909,057
Increase / (decrease) in provisions	31	5,780,216	(28,812,209)
Depreciation and amortisation	32	50,586,688	48,758,767
Impairment loss		93,043,811	-
Finance costs	33	1,424,968	1,042,581
Debt Impairment	35	60,961,546	71,709,422
Repairs and maintenance		4,723,856	11,104,804
Bulk purchases	38	34,310,848	30,795,916
Contracted services - Operating leases	55	3,132,263	593,180
Transfers and Subsidies	34	996,804	511,741
Loss on disposal of assets		10,501	-
General expenses	28	40,568,698	31,695,569
Total expenditure		**368,626,143**	**232,782,058**
Operating deficit		**(116,728,581)**	**(4,298,094)**
Fair value adjustments	36	2,809,069	3,159,194
Deficit for the year		**(113,919,512)**	**(1,138,900)**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2013	**650,190,670**	**650,190,670**
Changes in net assets		
PPE Adjustment	46,230,145	46,230,145
Prior year corrections:		
• Intangible Assets	(30,000)	(30,000)
• Operating leases classify as Finance leases	(204,715)	(204,715)
Prior year transactions processed after 2014 Year end	24,046,464	24,046,464
Accounting for Finance leases	(1,355,805)	(1,355,805)
Prior year adjustment as per 2014 AFS	(4,253,270)	(4,253,270)
Prior year adjustments as per 2014 AFS	(22,432,285)	(22,432,285)
Net income (losses) recognised directly in net assets	42,000,534	42,000,534
Surplus for the year	(1,138,900)	(1,138,900)
Total recognised income and expenses for the year	40,861,634	40,861,634
Total changes	40,861,634	40,861,634
Balance at 01 July 2014	**691,052,306**	**691,052,306**
Changes in net assets		
Prior Year Adjustments	9,916,885	9,916,885
Net income (losses) recognised directly in net assets	9,916,885	9,916,885
Surplus for the year	(113,919,512)	(113,919,512)
Total recognised income and expenses for the year	(104,002,627)	(104,002,627)
Total changes	(104,002,627)	(104,002,627)
Balance at 30 June 2015	**587,049,679**	**587,049,679**

Note(s)

Cash Flow Statement

	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Cash receipts from customers		135,692,511	70,806,254
Grants		124,611,294	101,784,588
Interest income		547,632	531,083
Other receipts		3,332,683	4,189,978
		264,184,120	177,311,903
Payments			
Employee costs		(73,085,944)	(65,382,287)
Suppliers		(60,356,575)	(54,043,257)
Finance costs		(1,424,968)	(1,042,581)
		(134,867,487)	(120,468,125)
Net cash flows from operating activities	39	**129,316,633**	**56,843,778**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(103,559,644)	(109,637,084)
Proceeds from sale of financial assets		(217)	(4,801)
Proceeds from sale of long-term receivables		5,955	5,896
Net cash flows from investing activities		**(103,553,906)**	**(109,635,989)**
Cash flows from financing activities			
Movement of other financial liabilities		162,337	(665,794)
Finance lease payments		(1,204,448)	(1,212,425)
Net cash flows from financing activities		**(1,042,111)**	**(1,878,219)**
Net increase/(decrease) in cash and cash equivalents		**(141,754)**	**(686,416)**
Cash and cash equivalents at the beginning of the year		7,339,375	8,025,791
Cash and cash equivalents at the end of the year	10	**7,197,621**	**7,339,375**

Mantsopa Local Municipality
Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	106,632,042	(3,985,254)	**102,646,788**	89,301,352	**(13,345,436)**	
Interest received	20,000,000	-	**20,000,000**	22,214,556	**2,214,556**	
Other income	1,877,600	2,855,020	**4,732,620**	2,786,186	**(1,946,434)**	
Total revenue from exchange transactions	**128,509,642**	**(1,130,234)**	**127,379,408**	**114,302,094**	**(13,077,314)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	16,086,267	(3,200,000)	**12,886,267**	12,437,677	**(448,590)**	
Licences or Permits (Non-exchange)	-	-	**-**	877	**877**	
Transfer revenue						
Government grants & subsidies	105,313,000	-	**105,313,000**	124,611,294	**19,298,294**	
Public contributions and donations	-	-	**-**	10,000	**10,000**	
Fines, Penalties and Forfeits	150,000	-	**150,000**	535,620	**385,620**	
Total revenue from non-exchange transactions	**121,549,267**	**(3,200,000)**	**118,349,267**	**137,595,468**	**19,246,201**	
Total revenue	**250,058,909**	**(4,330,234)**	**245,728,675**	**251,897,562**	**6,168,887**	
Expenditure						
Personnel	(74,039,275)	2,440,556	**(71,598,719)**	(67,562,317)	**4,036,402**	
Remuneration of councillors	(5,714,646)	-	**(5,714,646)**	(5,523,627)	**191,019**	
Administration	-	-	**-**	(5,780,216)	**(5,780,216)**	
Depreciation and amortisation	(11,991,000)	-	**(11,991,000)**	(50,586,688)	**(38,595,688)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(93,043,811)	**(93,043,811)**	
Finance costs	(512,000)	(43,067)	**(555,067)**	(1,424,968)	**(869,901)**	
Debt impairment	(20,090,000)	-	**(20,090,000)**	(60,961,546)	**(40,871,546)**	
Repairs and maintenance	(8,400,458)	1,018,250	**(7,382,208)**	(4,723,856)	**2,658,352**	
Bulk purchases	(33,646,500)	-	**(33,646,500)**	(34,310,848)	**(664,348)**	
Contracted Services	-	-	**-**	(3,132,263)	**(3,132,263)**	
Transfers and Subsidies	-	-	**-**	(996,804)	**(996,804)**	
General Expenses	(58,442,465)	2,237,292	**(56,205,173)**	(40,568,698)	**15,636,475**	
Total expenditure	**(212,836,344)**	**5,653,031**	**(207,183,313)**	**(368,615,642)**	**(161,432,329)**	
Operating deficit	**37,222,565**	**1,322,797**	**38,545,362**	**(116,718,080)**	**(155,263,442)**	
Loss on disposal of assets and liabilities	-	-	**-**	(10,501)	**(10,501)**	
Fair value adjustments	-	-	**-**	2,809,069	**2,809,069**	
	-	**-**	**-**	**2,798,568**	**2,798,568**	
Deficit before taxation	**37,222,565**	**1,322,797**	**38,545,362**	**(113,919,512)**	**(152,464,874)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**37,222,565**	**1,322,797**	**38,545,362**	**(113,919,512)**	**(152,464,874)**	

Mantsopa Local Municipality
Financial Statements for the year ended 30 June 2015

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		Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	16,086,267	(3,200,000)	12,886,267	-		12,886,267	12,437,677		(448,590)	97 %	77 %
Service charges	106,632,042	(3,985,254)	102,646,788	-		102,646,788	89,301,352		(13,345,436)	87 %	84 %
Licences or Permits	-	-	-	-		-	877		877	DIV/0 %	DIV/0 %
Transfers recognised - operational	71,600,900	-	71,600,900	-		71,600,900	87,209,036		15,608,136	122 %	122 %
Other own revenue	22,027,600	2,855,020	24,882,620	-		24,882,620	28,345,431		3,462,811	114 %	129 %
Total revenue (excluding capital transfers and contributions)	**216,346,809**	**(4,330,234)**	**212,016,575**	**-**		**212,016,575**	**217,294,373**		**5,277,798**	**102 %**	**100 %**
Employee costs	(74,039,275)	2,440,556	(71,598,719)	-	-	(71,598,719)	(67,562,317)	-	4,036,402	94 %	91 %
Remuneration of councillors	(5,714,646)	-	(5,714,646)	-	-	(5,714,646)	(5,523,627)	-	191,019	97 %	97 %
Debt impairment	(20,090,000)	-	(20,090,000)			(20,090,000)	(60,961,546)	-	(40,871,546)	303 %	303 %
Depreciation and asset impairment	(11,991,000)	-	(11,991,000)			(11,991,000)	(143,630,499)	-	(131,639,499)	1,198 %	1,198 %
Finance charges	(512,000)	(43,067)	(555,067)	-	-	(555,067)	(1,424,968)	-	(869,901)	257 %	278 %
Materials and bulk purchases	(42,046,958)	1,018,250	(41,028,708)	-	-	(41,028,708)	(34,310,848)	-	6,717,860	84 %	82 %
Transfers and grants	-	-	-	-	-	-	(996,804)	-	(996,804)	DIV/0 %	DIV/0 %
Other expenditure	(58,442,465)	2,237,292	(56,205,173)	-	-	(56,205,173)	(54,215,534)	-	1,989,639	96 %	93 %
Total expenditure	**(212,836,344)**	**5,653,031**	**(207,183,313)**	**-**	**-**	**(207,183,313)**	**(368,626,143)**	**-**	**(161,442,830)**	**178 %**	**173 %**
Surplus/(Deficit)	**3,510,465**	**1,322,797**	**4,833,262**	**-**		**4,833,262**	**(151,331,770)**		**(156,165,032)**	**(3,131)%**	**(4,311)%**

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
Transfers recognised - capital	33,712,100	-	33,712,100	-		33,712,100	37,402,258		3,690,158	111 %	111 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	10,000		10,000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**37,222,565**	**1,322,797**	**38,545,362**	**-**		**38,545,362**	**(113,919,512)**		**(152,464,874)**	**(296)%**	**(306)%**
Surplus/(Deficit) for the year	**37,222,565**	**1,322,797**	**38,545,362**	**-**		**38,545,362**	**(113,919,512)**		**(152,464,874)**	**(296)%**	**(306)%**

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;

- the actual amounts on a comparable basis.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Propertiest .

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.

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 asset(s) given up.

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

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

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

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

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

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

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

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Land and buildings	
• Land	Infinite
• Buildings	25 - 50 years
• Improvements	25 - 50 years
Plant and machinery	3 - 10 years
Furniture and fixtures	3 -10 years
Vehicles	
• Vehicles	3 - 7 years
• Heavy Machinery and Vehicles	3 - 10 years
Office equipment	2 - 7 years
Infrastructure assets	
• Electricity	7 - 50 years
• Roads	8- 50 years
• Stormwater	30 - 50 years
• Water and Sanitation	10 - 50 years
Community assets	
• Buildings	20 - 50 years
• Recreational facilities	7 - 50 years
• Security measures	3 - 5 years

1.5 Property, plant and equipment (continued)

Other property, plant and equipment	
• Other equipment	2 - 10 years
• Fence and Gates	15 - 25 years
• Paving	50 years
Other equipment	3 - 10 years
Other leased Assets Computer equipment and Copiers	3 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.

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

1.6 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 - 5 years

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

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the financial statements.

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

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

1.7 Heritage assets (continued)

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

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

Recognition

The 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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Impairment

The 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.

Transfers

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

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

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.

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

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.

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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:

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

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

1.8 Financial instruments (continued)

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

Presentation

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

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. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit.

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 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

1.9 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

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 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.

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

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.

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.

Identification

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

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

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

Value in use

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

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

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.

Accounting Policies

1.13 Employee benefits

Employee benefits are all forms of consideration given by the 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:

- the 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 the 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.

1.13 Employee benefits (continued)

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.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.15 Revenue from exchange transactions

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

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

Sale of goods

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

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Interest, royalties and dividends

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

1.16 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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

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

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

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

Recognition

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

As the 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.

Assessment Rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,

- the amount of the revenue can be measured reliably, and

- there has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims", are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Transfers

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

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

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

1.16 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and

- the amount of the revenue can be measured reliably.

There are two types of fines and summonses. Municipality will usually issue both types of fines. There is uncertainty regarding the probability of the flow of econimic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the made for the revenue amount collected from spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Gifts and donations, including goods in-kind

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

1.17 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

Irregular expenditure 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 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.

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.

Accounting Policies

1.23 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Housing development fund

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

1.25 Revaluation reserve

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

1.26 Value Added Tax

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2) of the Value-Added-Tax Act no. 89 of 1991.

1.27 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.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Accounting Policies

1.27 Investments (continued)

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.28 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.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in redering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

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

The municipality needs to assess the degree of certainty attached to the flow of furture economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availabilty of funds. Revenue from these grants should only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

1.29 Segmental information

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

1.29 Segmental information (continued)

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.30 Budget information

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

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

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

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

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

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

1.31 Related parties

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

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

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

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

1.32 Offsetting

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

1.33 Presentation of currency

These financial statements are presented in South African Rand rounded to the nearest rand.

Notes to the Financial Statements

	2015	2014

2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 21 - Impairment of Non-cash generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in the Financial Statements
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Assets

Notes to the Financial Statements

3. New standards and interpretations

3.1 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	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 107: Mergers	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 20: Related parties	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP108: Statutory Receivables	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

Notes to the Financial Statements

	2015	2014

4. Inventories

Consumable stores	386,366	361,210
Spare parts	302,567	330,076
Water	11,074	11,074
	700,007	**702,360**

5. Other financial assets

Designated at fair value		
Listed shares	152,362	141,653
Old Mutual Shares		
Unlisted shares	1,142,075	974,495
OVK Shares		
Financial Instruments	97,408	97,191
	1,239,483	1,071,686
	1,391,845	**1,213,339**

Non-current assets		
Designated at fair value	1,391,845	1,213,339

6. Other Receivables from exchange transactions

Prepaid electricity receivables	4,054,530	2,381,087
Trade debtors adjustments	631,640	-
	4,686,170	**2,381,087**

7. Receivables from non-exchange transactions

Fines	582,756	203,756
Less: Provision for debt impairment	(485,506)	-
Prepayments - Deposits	282,309	271,196
Sundry debtors	831,714	1,207,950
Rates (Detail as per note 8)	5,579,929	6,265,436
	6,791,202	**7,948,338**

8. Trade receivables from exchange and non-exchange transactions

Gross balances		
Rates	19,794,530	24,618,555
Electricity	20,081,559	16,585,518
Water	56,825,262	80,672,201
Sewerage	66,789,245	76,111,722
Refuse	49,556,359	39,810,268
Other (specify)	5,603,025	14,805,198
	218,649,980	**252,603,462**

Less: Allowance for impairment		
Rates	(14,214,601)	(18,353,119)
Electricity	(16,349,196)	(13,095,083)
Water	(41,444,759)	(67,305,491)
Sewerage	(56,437,559)	(63,744,267)
Refuse	(41,875,604)	(33,341,465)
Other (specify)	(4,734,611)	(12,399,490)
	(175,056,330)	**(208,238,915)**

	2015	2014

8. Trade receivables from exchange and non-exchange transactions (continued)

	2015	2014
Net balance		
Rates	5,579,929	6,265,436
Electricity	3,732,363	3,490,435
Water	15,380,503	13,366,710
Sewerage	10,351,686	12,367,455
Refuse	7,680,755	6,468,803
Other	868,414	2,405,708
	43,593,650	**44,364,547**

	2015	2014
Included in above is receivables from exchange transactions		
Electricity	3,732,363	3,490,435
Water	15,380,503	13,366,710
Sewerage	10,351,686	12,367,455
Refuse	7,680,755	6,468,803
Other	868,414	2,405,708
	38,013,721	**38,099,111**

	2015	2014
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	5,579,929	6,265,436
Net balance	**43,593,650**	**44,364,547**

	2015	2014
Rates		
Current (0 -30 days)	9,673,541	7,378,317
31 - 60 days	645,491	215,460
61 - 90 days	569,141	367,820
91 - 120 days	553,482	371,550
121 - 365 days	4,037,074	3,033,066
> 365 days	4,315,801	13,252,342
Less: Impairment	(14,214,601)	(18,353,119)
	5,579,929	**6,265,436**

	2015	2014
Electricity		
Current (0 -30 days)	3,982,141	2,544,682
31 - 60 days	1,464,107	681,366
61 - 90 days	785,973	520,269
91 - 120 days	516,773	485,509
121 - 365 days	2,898,503	3,800,579
> 365 days	10,434,062	8,553,113
Less: Impairment	(16,349,196)	(13,095,083)
	3,732,363	**3,490,435**

	2015	2014
Water		
Current (0 -30 days)	2,472,191	4,118,607
31 - 60 days	1,144,069	2,403,427
61 - 90 days	3,550,746	2,263,106
91 - 120 days	1,098,644	2,072,765
121 - 365 days	10,928,138	16,124,789
> 365 days	37,631,475	53,689,507
Less: Impairment	(41,444,759)	(67,305,491)
	15,380,504	**13,366,710**

	2015	2014

8. Trade receivables from exchange and non-exchange transactions (continued)

	2015	2014
Sewerage		
Current (0 -30 days)	1,094,993	1,910,705
31 - 60 days	1,063,783	1,717,405
61 - 90 days	1,214,304	1,712,764
91 - 120 days	1,238,595	1,635,636
121 - 365 days	10,012,654	13,787,735
> 365 days	52,164,916	55,347,477
Less: Impairment	(56,437,559)	(63,744,267)
	10,351,686	**12,367,455**

	2015	2014
Refuse		
Current (0 -30 days)	983,784	1,045,107
31 - 60 days	978,708	924,244
61 - 90 days	1,032,492	929,181
91 - 120 days	1,029,209	877,383
121 - 365 days	7,953,494	7,393,462
> 365 days	37,578,672	28,640,892
Less: Impairment	(41,875,604)	(33,341,466)
	7,680,755	**6,468,803**

	2015	2014
Other (specify)		
Current (0 -30 days)	67,421	126,913
31 - 60 days	57,161	113,024
61 - 90 days	87,063	175,069
91 - 120 days	54,990	105,795
121 - 365 days	663,562	1,048,412
> 365 days	4,672,829	13,235,984
Less: Impairment	(4,734,611)	(12,399,489)
	868,415	**2,405,708**

	2015	2014

8. Trade receivables from exchange and non-exchange transactions (continued)

Summary of debtors by customer classification

	2015	2014
Consumers		
Current (0 -30 days)	7,096,753	15,953,576
31 - 60 days	4,210,587	5,712,513
61 - 90 days	6,641,752	5,717,744
91 - 120 days	4,073,217	5,180,550
121 - 365 days	33,544,534	208,425,358
> 365 days	147,409,455	-
	202,976,298	240,989,741
Less: Allowance for impairment	(169,145,085)	(198,512,316)
	33,831,213	**42,477,425**
Industrial/ commercial		
Current (0 -30 days)	703,379	834,432
31 - 60 days	934,935	205,481
61 - 90 days	208,234	160,384
91 - 120 days	239,384	278,920
121 - 365 days	1,427,947	5,083,196
> 365 days	4,817,576	-
	8,331,455	6,562,413
Less: Allowance for impairment	(5,911,244)	(5,496,082)
	2,420,211	**1,066,331**
National and provincial government		
Current (0 -30 days)	388,468	336,323
31 - 60 days	207,795	136,932
61 - 90 days	389,733	90,082
91 - 120 days	179,091	89,168
121 - 365 days	1,520,946	4,398,803
> 365 days	4,656,193	-
	7,342,226	5,051,308
Less: Allowance for impairment	-	(4,230,517)
	7,342,226	**820,791**
Total		
Current (0 -30 days)	18,274,070	17,124,331
31 - 60 days	5,353,318	6,054,927
61 - 90 days	7,239,718	5,968,210
91 - 120 days	4,491,692	5,548,638
121 - 365 days	36,493,427	217,907,356
> 365 days	146,797,755	-
	218,649,980	252,603,462
Less: Allowance for impairment	(175,056,330)	(208,238,915)
	43,593,650	**44,364,547**

Reconciliation of allowance for impairment

	2015	2014
Balance at beginning of the year	(208,238,915)	(159,598,189)
Contributions to allowance	(72,279,634)	(48,773,392)
Debt impairment written off against allowance	105,462,219	132,666
	(175,056,330)	**(208,238,915)**

	2015	2014

8. Trade receivables from exchange and non-exchange transactions (continued)

Consumer debtors pledged as security

No Consumer debtors were pledged as security for overdraft facilities.

9. Long-term Receivables

	2015	2014
Long-term Receivables	202 580	208 536
Less: Short-term portion of Long-term Receivables	(6 010)	(5 956)
	196 570	202 580

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	3,595	1,317
Bank balances	82,828	638,139
Short-term deposits	7,111,198	6,699,919
	7,197,621	**7,339,375**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Cheque Account - 2020000050	(74,973)	608,863	32,441	(74,973)	608,863	32,441
FNB BANK - Cheque Account - 62402356530	157,384	29,276	96,794	157,801	29,276	158,119
FNB BANK - Cheque Account - 62054009751 (Account Closed)	-	-	12,631	-	-	-
Total	**82,411**	**638,139**	**141,866**	**82,828**	**638,139**	**190,560**

11. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	32,799,573	-	32,799,573	30,168,793	-	30,168,793

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	30,168,793	2,630,780	32,799,573

Notes to the Financial Statements

	2015	2014

11. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	27,271,000	2,897,793	30,168,793

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.

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr J.S Bosman [Professional Valuer 2450].

Bosman is not connected to the municipality and have experience in location and category of the investment property being valued. The basis used to value the investment properties were the direct comparable method of valuation.

Direct comparable method of valuation (International Valuation Standards) – 7th Edition

'This is the approach or method preferred by our courts and consists of finding suitable recent sales of comparable properties within the same area and using them to help arrive at a market related value for the subject property"

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Amounts recognised in surplus and deficit for the year.

	2015	2014
Rental revenue from investment property	1 129 789	1 002 940

12. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	79,490,467	(27,737,908)	51,752,559	79,376,468	(19,752,922)	59,623,546
Land	66,202,690	-	66,202,690	66,202,690	-	66,202,690
Infrastructure	839,395,674	(360,504,753)	478,890,921	773,038,985	(229,552,791)	543,486,194
Other property, plant and equipment	21,963,631	(16,528,499)	5,435,132	23,500,577	(13,485,952)	10,014,625
Capital work in progress	38,181,869	-	38,181,869	45,933,264	-	45,933,264
Total	**1,045,234,331**	**(404,771,160)**	**640,463,171**	**988,051,984**	**(262,791,665)**	**725,260,319**

Notes to the Financial Statements

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	59,623,546	-	-	-	(3,363,717)	(4,507,270)	51,752,559
Land	66,202,690	-	-	-	-	-	66,202,690
Infrastructure	543,486,194	66,422,085	-	-	(42,480,817)	(88,536,541)	478,890,921
Other property, plant and equipment	10,014,625	173,163	(10,502)	-	(4,742,154)	-	5,435,132
Work-in Progress	45,933,264	36,964,396	-	(44,715,791)	-	-	38,181,869
	725,260,319	**103,559,644**	**(10,502)**	**(44,715,791)**	**(50,586,688)**	**(93,043,811)**	**640,463,171**

Notes to the Financial Statements

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Correction	Transfers	Other changes, movements	Depreciation	Total
Buildings	61,017,359	1,967,880	-	-	-	(3,361,693)	59,623,546
Land	-	-	-	-	66,202,690	-	66,202,690
Infrastructure	517,879,857	64,987,036	-	-	-	(39,380,699)	543,486,194
Other property, plant and equipment	11,305,778	992,199	1,368,491	-	2,364,532	(6,016,375)	10,014,625
Work-in Progress	85,835,677	41,689,969	-	(81,592,382)	-	-	45,933,264
	676,038,671	**109,637,084**	**1,368,491**	**(81,592,382)**	**68,567,222**	**(48,758,767)**	**725,260,319**

Assets subject to finance lease (Net carrying amount)

Copiers	-	540,000
Computer equipment	-	666,842
	-	**1,206,842**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Total
Opening balance	41,675,620	4,257,644	45,933,264
Additions/capital expenditure	33,338,484	3,625,913	36,964,397
Transferred to completed items	(44,715,791)	-	(44,715,791)
	30,298,313	**7,883,557**	**38,181,870**

	2015	2014

12. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Total
Opening balance	85,035,031	800,646	85,835,677
Additions/capital expenditure	38,232,971	3,456,998	41,689,969
Other movements - Donations	(4,215,513)	-	(4,215,513)
Transferred to completed items	(77,376,869)	-	(77,376,869)
	41,675,620	**4,257,644**	**45,933,264**

The useful life of some assets have been re-assessed to reflect their remaining useful life as determined by management .

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.

13. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which employees belong consists of the Free State Municipal Pension Fund, Free State Municipal Provident Fund, South African Local Authorities Pension Fund, South African Local Authorities Provident Fund, National Fund for Municipal Workers, Municipal Employees Pension Fund, South African Municipal Workers Union Provident Fund and the Municipal Councillors Pension Fund, governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

	2015	2014
In-service (employee) members	299	299
Continuation members (e.g: Retirees, widows, orphans)	14	15
Total Members	**313**	**314**

The Municipality’s current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Schemet

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

	2015	2014
Carrying value		
Present value of the defined benefit obligation	(39,823,000)	(35,426,000)

Notes to the Financial Statements

	2015	2014

13. Employee benefit obligations (continued)

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

	2015	2014
Opening balance	(35,426,000)	(41,886,000)
Net expense recognised in the statement of financial performance	(4,397,000)	6,460,000
	(39,823,000)	**(35,426,000)**

Net expense recognised in the statement of financial performance

	2015	2014
Current service cost	(3,331,000)	(4,609,000)
Past service cost	(1,342,000)	-
Interest cost	(3,579,000)	(3,024,000)
Gain/ (loss) - change in financial assumptions	407,000	(105,000)
Gain/ (loss) - change in demographic assumptions	-	12,676,000
Experience gains / (loss)	3,070,000	1,128,000
Benefit payments	378,000	394,000
	(4,397,000)	**6,460,000**

	2015	2014

13. Employee benefit obligations (continued)

Key assumptions used

The economic assumptions for the 30 June 2015 valuation are shown in the table below, and compared to those used for the previous valuation.

Discount rates used	9.45 %	9.70 %
Maximum monthly subsidy increase	6.90 %	7.20 %
Healthcare cost inflation	8.90 %	9.20 %
Net discount rate	0.51 %	0.46 %

Discount Rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 21 years, the expected duration of the liability based on the current membership data, as at 30 June 2015.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index (“CPI”) by a margin of 1% to 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 6.90% as at 30 June 2015. Thus, the healthcare cost inflation has been set as 8.90% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Maximum subsidy increase

According to the Salary and Wage Agreement 2014 the maximum employer contribution to an accredited medical scheme for an individual employee shall escalate at the same rate as the annual percentage increase in salaries and wages, which is agreed to from time to time by the Parties to the Council. However, in the last few years this annual percentage increase was less than salary inflation and therefore it has been assumed that it will increase annually in line with CPI inflation. This is in line with the previous valuation.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 0.51% (calculated as (1 + discount rate)/(1 + healthcare cost inflation rate) – 1) for the 30 June 2015 valuation.

	2015	2014

13. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below, all of which are subject to the Pensions Fund Act.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund

Defined benefit plans

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund.

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).
The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

14. Borrowings

	2015	2014
At amortised cost		
Borrowings	6,286,562	6,124,225

Refer to Appendix A for more detail on long-term Borrowings.

During the current financial year the municipality held discussions with the Development Bank of South Africa. Based on these discussions held on 13 March 2015 an angreement was reached:
- that the loan (6000895) to freeze the loan for a period of 2 years until 31 March 2017.

	2015	2014
Non-current liabilities		
At amortised cost	3,925,642	5,023,518
Current liabilities		
At amortised cost	2,360,920	1,100,707

	2015	2014

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	1,151,090

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

16. Payables from exchange transactions

Trade payables	78,953,234	42,675,693
Payments received in advanced - contract in process	2,972,709	2,704,623
Accrued leave pay	5,116,020	4,757,540
Accrued bonus	1,359,312	1,253,981
Other accrued expenses	295,338	149,510
Other payables	17,000	-
	88,713,613	**51,541,347**

17. Taxes and transfers payable (non-exchange)

Transfers payable	302,661	14,411,800

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EEDG	223,401	2,443,478
COGTA	-	3,285,602
	223,401	**5,729,080**

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	3,410,500	1,964,402	-	5,374,902
Provision - Long Service Award	3,213,000	-	(83,000)	3,130,000
	6,623,500	**1,964,402**	**(83,000)**	**8,504,902**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	3,087,226	323,274	-	3,410,500
Provision - Long Service Award	3,531,000	-	(318,000)	3,213,000
	6,618,226	**323,274**	**(318,000)**	**6,623,500**

Environmental rehabilitation provision (Landfill Sites)

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Excelsior, Ladybrand, Tweespruit and Hobhouse to complies to the permit requirements.

The provision was determined by an independent expert as at 17 August 2015 and approximates thediscounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on abond rate that matures as close as possible to the future date of the rehabilitation.

The final rehabilitation of the landfill sites are expected to be over a period of 20 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

Key Assumptions used:

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated:	56 000 square metres;
- Average rate per square metre:	R96.21 (excl. VAT) escalating every year by 9.165%;

Total area to be rehabilitated can be reconciled to the different sites as follows

Ladybrand	18 000
Tweespruit / Thaba Patchoa	17 000
Hobhouse	9 000
Excelsior	12 000

19. Provisions (continued)

Solid Waste Sites:

Each of the landfil sites have adequate footprint and airspace available for the disposal of solid waste until 2035.

Ladybrand:
The site presently used at Ladybrand is an informal site which has not been designed and constructed as a proper landfill site. As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 15 March 1994 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Tweespruit / Thaba Patchoa:
As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 10 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Hobhouse:
Hobhouse does not have a designed landfill site. Refuge is dumped in a disused dolerite quarry without any engineered cells. No proper landfill activities can take place at the site due to the absence of proper cells and the non-availability of material to cover compacted refuge. It is a condition of the Waste Management License issued on 10 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Excelsior:
The site presently used at Excelsior is an informal site which has not been designed and constructed as a proper landfill site. As a condition of the Waste Management License issued on 22 March 1994 a properly designed facility should be constructed as soon as possible as a matter of urgency.

Long service award provision

	2015	2014

19. Provisions (continued)

LONG SERVICE AWARD

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future. GRAP 25 valuation was done by management for the 2014/2015 financial year and membership data used can be summariesed as follow:

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

Carrying value	**2015**	**2014**
Present value long service awards liability - wholly unfunded	(3,213,000)	(3,531,000)
Service Cost	(512,000)	(561,000)
Interest Cost	(260,000)	(226,000)
Actuarial gains/(losses) - change in financial assumptions	309,000	290,000
Actuarial gains/(losses) - change in demographic assumptions	-	615,000
Actuarial gains/(losses) - experience variance	322,000	457,000
Benefit payments	224,000	323,000
As at 30 June	(3,130,000)	(3,213,000)

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts .

KEY ASSUMTIONS USED:

Financial Variables
The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	**Assumed Value 30-06-2015 (Current Valuation)**	**Assumed Value at 30-06-2014 (Preceding Valuation)**
Discount Rate	8.35 %	8.20 %
CPI (Consumer Price Inflation)	8.05 %	9.20 %
Net Discount Increase Rate	0.28 %	-0.92 %

Discount Rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 7 years, the expected duration of the liability based on the current membership data, as at 30 June 2015.

Salary inflation

In the past, salary inflation has typically exceeded the Consumer Price Index (“CPI”) by a margin of around 2%.
The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves

19. Provisions (continued)

to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the salary inflation assumption.

The CPI inflation assumption using this methodology is 6.05% as at 30 June 2015. Thus, the salary inflation has been set as 8.05% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and salary inflation rates are more important than their individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 0.28% (calculated as (1 + discount rate)/(1 + salary inflation rate) – 1) for the 30 June 2015 valuation.

Demographic assumptions

The demographic assumptions for the 30 June 2015 valuation are shown in the tables below, and compared to those used for the previous valuation.

Summary of key demographic assumptions

	30 June 2014	**30 June 2015**
Pre-retirement mortality	SA85-90 L rated down 1 year for males and females	SA85-90 L rated down 1 year for males and females
Assumed retirement age	63 years for males and females	63 years for males and females

Withdrawal assumption

In the absence of credible past withdrawal data of this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market. The same assumption was applied at the previous valuation date.

The annual withdrawal rates for the valuation, differentiated by age.

Age	**Males**	**Females**
20	13.30%	13.30%
25	13.30%	13.30%
30	10.90%	10.90%
35	8.20%	8.20%
40	5.80%	5.80%
45	4.10%	4.10%
50	2.90%	2.90%
55	0.00%	0.00%
60+	0.00%	0.00%

	2015	2014

20. Service charges

Sale of electricity	34,516,789	39,906,183
Sale of water	26,188,355	23,063,568
Sewerage and sanitation charges	18,169,751	17,848,969
Refuse removal	10,426,457	10,153,027
	89,301,352	**90,971,747**

21. Consumer deposits

Electricity	1,315,040	1,245,779
Other	27,033	16,133
	1,342,073	**1,261,912**

Guarantees held in lieu of electricity and other deposits.

22. Revenue

Service charges	89,301,352	90,971,747
Licences or Permits (Non-exchange)	877	690
Interest received	22,214,556	18,869,495
Other income	2,786,186	3,636,098
Property rates	12,437,677	12,668,156
Government grants & subsidies	124,611,294	101,784,588
Public contributions and donations	10,000	61,840
Fines, Penalties and Forfeits	535,620	491,350
	251,897,562	**228,483,964**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	89,301,352	90,971,747
Interest received	22,214,556	18,869,495
Other income	2,786,186	3,636,098
	114,302,094	**113,477,340**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12,437,677	12,668,156
Transfer revenue		
Government grants & subsidies	124,611,294	101,784,588
Licences or Permits (Non-exchange)	877	690
Public contributions and donations	10,000	61,840
Fines, Penalties and Forfeits	535,620	491,350
	137,595,468	**115,006,624**

23. Property rates

Rates received

Residential	6,643,143	4,575,655
Commercial	5,794,534	8,092,501
	12,437,677	**12,668,156**

Notes to the Financial Statements

	2015	2014

24. Government grants and subsidies

Operating grants		
Equitable share	64,961,001	65,971,000
MSIG	934,000	890,000
EPWP	1,001,000	1,000,000
FMG	1,600,000	1,550,000
COGTA Grant	10,767,211	714,398
Equitable share - Councillors subsidy	2,960,000	-
Government grant - DWAF	4,542,637	-
Government grant - Grant In Kind (Provincial Treasury)	443,187	-
	87,209,036	70,125,398
Capital grants		
MIG	19,578,000	26,226,999
EEDG	6,220,077	5,432,191
INEG	1,000,000	-
Thabo Mofutsanyana	5,054,586	-
Human Settlement	5,549,595	-
	37,402,258	31,659,190
	124,611,294	**101,784,588**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

All registered indigents receive a monthly subsidy of R 334 (2014: R 323), which is funded from the grant.

EEDG

Balance unspent at beginning of year	2,443,478	799,866
Current-year receipts	4,000,000	7,999,700
Conditions met - transferred to revenue	(6,220,077)	(6,356,088)
	223,401	**2,443,478**

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant (MIG)

Current-year receipts	19,578,000	26,227,000
Conditions met - transferred to revenue	(19,578,000)	(26,227,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

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. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The 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. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

	2015	2014

24. Government grants and subsidies (continued)

Financial Management Grant (FMG)

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

Conditions still to be met - remain liabilities (see note 18).

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

The funds were used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Finance Management Act. The grant was also use for the salaries of the financial Interns.

EPWP Grant

Current-year receipts	1,001,000	1,000,000
Conditions met - transferred to revenue	(1,001,000)	(1,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

This grant is used in respect of job creation projects and programmes.

Municipal Systems Improvement Grant (MSIG)

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

Conditions still to be met - remain liabilities (see note 18).

The funds were used to assist the municipality to perform the function and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.

COGTA

Balance unspent at beginning of year	3,285,602	-
Current-year receipts	7,481,609	4,000,000
Conditions met - transferred to revenue	(10,767,211)	(714,398)
	-	**3,285,602**

Conditions still to be met - remain liabilities (see note 18).

INEG

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

Conditions still to be met - remain liabilities (see note 18).

Equitable Share

Current-year receipts	67,921,001	65,971,000

	2015	2014

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(67,921,001)	(65,971,000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

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

Changes in level of government grants

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

25. Public contributions and donations

Donation of Assets	10,000	-
Public contributions and donations 2	-	61,840
	10,000	**61,840**

26. Other revenue

Interest received	22,214,556	18,869,495
Other income	2,786,186	3,636,098
	25,000,742	**22,505,593**

27. Other income

Penalties	10,026	4,900
Interest received	547,632	531,083
Dog licenses	772	1,035
Grave sales	70,317	60,149
Training cost recover	334,725	106,534
Administration fees	2,005	407,450
Commission received	74,660	82,119
Discount received	830	880
Private telephone cost recovery	1,033	33,908
Surplus cash	-	1,517
Tender documents	25,450	30,650
Valuation lists	22,099	26,898
Valuation roll	12,555	15,373
Subdivisioning	-	650
Advertisements	310	15,475
Building plans	70,706	31,647
Photo copies	4,297	6,754
Connections	194,594	267,958
Testmeters	2,315	2,400
Garden refuse	16,427	14,576
Refunds	160	-
Legal cost recover	-	3,889
Insurance recover	7,798	178,844
Private work	976	-
Dividends received	27,047	25,031
Sale of land	145,275	759,223
Other sales	57,394	-
Rental of properties, facilities and equipment	1,156,783	1,027,155
	2,786,186	**3,636,098**

Notes to the Financial Statements

	2015	2014

28. General expenses

Advertising	126,276	216,282
Municipal service charges	1,513,868	1,890,063
Auditors remuneration	4,859,376	3,984,892
Bank charges	356,333	335,064
Cleaning	47,356	45,369
Consulting and professional fees	10,397,439	1,421,648
Donations	200	47,232
Entertainment	195,794	163,635
Flowers	-	4,468
Hire	472,691	2,478,291
Insurance	681,653	539,890
Community development and training	178,355	747,339
Conferences and seminars	7,045	450,184
Magazines, books and periodicals	215,001	158,468
Medical expenses	23,925	-
Fuel and oil	2,441,769	2,567,153
Postage and courier	86,851	234,761
Printing and stationery	441,208	487,346
Research and development costs	174,778	58,914
Security (Guarding of municipal property)	349,200	197,150
Staff welfare	-	1,025
Subscriptions and membership fees	948,851	595,866
Telephone and fax	2,075,869	2,043,828
Training	521,747	214,997
Travel - local	3,722,317	2,793,965
Valuation and Transfer Costs	19,678	67,962
Uniforms	400,506	451,226
Tourism development	-	10,830
License	710,436	457,247
Pensioners Medical aid Contribution	-	420,370
Interest Paid	5,825,882	2,860,967
Skill Development Levy	541,081	521,226
Grant Expenditure	231,625	1,236,264
Chemicals	1,698,274	1,840,738
Other expenses	1,303,314	2,150,909
	40,568,698	**31,695,569**

Notes to the Financial Statements

	2015	2014

29. Employee related costs

Basic	38,733,569	37,060,435
Medical aid - council contributions	6,208,441	5,362,265
UIF	457,666	421,624
Other payroll levies	26,028	24,518
Leave pay provision charge	1,189,903	(234,120)
Defined contribution plans	5,812,840	5,313,586
Overtime payments	6,903,209	5,844,179
Long-service bonus	58,846	139,342
Car allowance	3,518,958	3,266,864
Housing benefits and allowances	124,816	94,352
Leave Bonus	3,966,116	2,655,883
Other Allowances	561,925	524,302
	67,562,317	**60,473,230**

Remuneration of municipal manager - Mr. S Selepe

Annual Remuneration	971,376	926,014
Car Allowance	150,994	150,994
Contributions to UIF, Medical and Pension Funds	199,894	182,662
Industrial Council	81	76
	1,322,345	**1,259,746**

Remuneration of chief finance officer - Mr. K Matsie

Annual Remuneration	635,695	585,542
Car Allowance	187,480	187,480
Contributions to UIF, Medical and Pension Funds	129,937	115,957
Industrial Council	81	76
	953,193	**889,055**

Remuneration of director technical services - Mr. N Raleapeng

Annual Remuneration	585,652	540,870
Car Allowance	172,985	172,985
Contributions to UIF, Medical and Pension Funds	118,307	106,678
Industrial Council	81	76
	877,025	**820,609**

Remuneration of director corporate services - Ms. PP Moloi

Annual Remuneration	610,643	554,697
Car Allowance	210,211	210,211
Contributions to UIF, Medical and Pension Funds	59,452	57,422
Industrial Council	81	76
	880,387	**822,406**

Remuneration of director community services - Ms. B Sebolai

Annual Remuneration	585,418	540,610
Car Allowance	172,286	172,287
Contributions to UIF, Medical and Pension Funds	119,683	107,409
Industrial Council	81	76
	877,468	**820,382**

Notes to the Financial Statements

	2015	2014

30. Remuneration of councillors

Major	740,497	652,855
Speaker	596,399	4,247,500
Councillors	4,186,731	8,702
	5,523,627	**4,909,057**

Administrative expenditure

The Mayor and Speaker are on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor have the use of separate Council owned vehicle for official duties.

31. Increase / (decrease) in provisions

Rehabilitation cost	2,003,613	(22,352,209)
Employee benefits cost	3,776,603	(6,460,000)
	5,780,216	**(28,812,209)**

32. Depreciation and amortisation

Property, plant and equipment	50,586,688	48,758,767

33. Finance costs

Non-current borrowings	1,371,610	888,298
Finance leases	53,358	154,283
	1,424,968	**1,042,581**

34. Grants and subsidies paid

Other subsidies		
Subsidy - Indigent Funerals	2,240	11,451
Indigent Support - Electricity	994,564	500,290
	996,804	**511,741**
	996,804	**511,741**

35. Debt impairment

Contributions to debt impairment provision	60,961,546	71,709,422

36. Fair value adjustments

Investment property (Fair value model)	2,630,780	2,897,793
Other financial assets		
• OVK Shares	178,289	261,401
	2,809,069	**3,159,194**

37. Auditors' remuneration

Fees	4,859,376	3,984,892

	2015	2014

38. Bulk purchases

Electricity	32,921,214	29,623,349
Water	1,389,634	1,172,567
	34,310,848	**30,795,916**

39. Cash generated from operations

Deficit	(113,919,512)	(1,138,900)
Adjustments for:		
Depreciation and amortisation	50,586,688	48,758,767
Gain on sale of assets and liabilities	10,501	-
Fair value adjustments	(2,809,069)	(3,159,194)
Finance costs - Finance leases	53,358	154,283
Impairment deficit	93,043,811	-
Bad debts provision	60,961,546	71,709,422
Movements in operating lease assets and accruals	-	95,012
Movements in retirement benefit assets and liabilities	4,397,000	(6,460,000)
Movements in provisions	1,881,402	5,274
Leases	-	(204,716)
PPE adjustments	24,862,370	-
Prior year adjustments	9,916,854	(42,000,533)
Asset - Work in Progress adjustment		
Inventories	2,353	(205,731)
Other Receivables from exchange transactions	2,305,083	(2,381,087)
Consumer debtors	(18,456,225)	(9,211,512)
Other receivables from non-exchange transactions	(1,157,136)	(1,447,801)
Payables from exchange transactions	37,172,266	(3,595,057)
Taxes and transfers payable (non exchange)	(14,109,139)	(265,575)
Unspent conditional grants and receipts	(5,505,679)	4,929,214
Consumer deposits	80,161	1,261,912
	129,316,633	**56,843,778**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29,361,296	46,458,382
• Other financial assets	13,388,467	5,487,453
	42,749,763	**51,945,835**

Total capital commitments		
Already contracted for but not provided for	42,749,763	51,945,835

The Commitments expenditure relates to Infrastructure and will be financed by Government Grants and funds internally generated

	2015	2014

41. Contingencies

Contingent liabilities

Litigation is in the process against the municipality that could result in possible contingent liabilities of R 4 585 280 (2014: R10 605 580).

The claims against the munnicipality are as follows.

Pending claims:		
Van As J. - damage to his property and for his alternative lodging	1,125,734	-
Lovedal dam -Negotiations and Interim Court Interdict on water supply from the dam	800,000	-
Zanoxolo & Nandipha Jacobs - damages caused by veld fires	2,600,553	-
Barnard & Venter Attorneys - conduct of serving councillor	1	-
Christoffel Beukman - Court application to compel municipality to disclose approved building documents	58,991	-
Ladybrand Land Invasion - Eviction of Illegal Occupiers of land at Extension 5, Ladybrand	1	-
	4,585,280	**-**

42. Related parties

Relationships

Members of key management	.
Mayor	Clr S.D Ntsepe
Executive Committee	Clr M.A Majara (Speaker)
	Clr M.A Malakane
Councillors	Clr J Machakela
	Clr M.C Chomane
	Clr P.N Nakalebe
	Clr P.P Raboko
	Clr N.J Thaise
	Clr D.T Molefe
	Clr K.I Tigeli
	Clr M.C Sebotsa
	Clr G.M Seoe
	Clr Y.J Jacobs
	Clr D Holmes
	Clr B.M Sani
	Clr T Halse
Municipal Manager	S.M Selepe
Chief Financial Officer	K.D Matsie

The following transactions in respect of the sale of land took place between the municaipality and key management.

Raliapeng N	Senior Manager	Sale of erf	R 4 000-00
Majara M.A	Councillor	Sale of erf	R 24 313-35
Matsunyane P	Councillor	Sale of erf	R 1 000-00

	2015	2014

43. Prior period errors

1. Debtors with credit balances

During the finacial year, debtors with credit balances were transfered from consumer debtors to other payables. The comparative amounts were restated accordingly.

This transaction have no influence on the accumulated surplus.

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

	2015	2014
Statement of financial position		
Increase in Trade receivables from exchange transactions	-	2,704,623
Increase in Payables from exchange transactions	-	(2,704,623)

2. Property, Plant and Equipment

During the current year, the municipality further embarked in a process to further enhance their asset register. The comparative amounts were restated accordingly.

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

	2015	2014
Statement of financial position		
Decrease in Property, Plant and Equipment	-	(645,480)
Decrease in Accumulated depreciation	-	942,361
Increase in Work in Progress	-	45,933,264
Increase in Accumulated Surplus or Deficit	-	(46,230,145)
Statement of Financial Performance		
Increase in Depreciation expense	-	24,963,954

3. Unbilled revenue

During the current year the municipality made provision for unbilled revenue at year end. The comparative amounts were restated accordingly.

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

	2015	2014
Statement of financial position		
Increase in Trade receivables from exchange transactions	-	1,258,088
Statement of Financial Performance		
Increase in Service Charges	-	(1,258,088)

4. Leases

During the prior year audit an exception was raised that indicate leaseds was recognised incorrectly. The comparative amounts were restated accordingly.

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

	2015	2014
Statement of financial position		
Increase in Finance lease obligation	-	(1,151,089)
Decrease in Operating lease assets	-	(204,716)
Decrease in Accumulated Surplus or Deficit	-	1,355,805

	2015	2014

43. Prior period errors (continued)

Statement of Financial Performance		
Decrease in Contracted services	-	(1,212,425)
Increase in Finance cost	-	154,283

5. Intangible Assets

Intangible assets relates to computer expenditure that was incorrectly capitalised. This amount is therefore written off by management through surplus and defecit. The comparative amounts were restated accordingly.

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

Statement of financial position		
Decrease in Intangible Assets	-	(30,000)
Decrease in Accumulated Surplus or Deficit	-	30,000

6. Investment property - Fair value adjustment

During the year investment property was valued according the the accounting policy. The comparative amounts were restated accordingly.

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

Statement of financial position		
Increase in Investment Property	-	2,897,793
Statement of Financial Performance		
Increase in Fair value Adjustment	-	2,897,793

7. Adjustment of Trade Debtors

Due to calculation error in the 2013/2014 AFS, Trade receivables had to be adjusted

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

Statement of financial position		
Decrease in Trade receivables	-	(79,729)
Increase in Accumulated Surplus	-	79,729
	-	**-**

44. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position		
Item 1		
Other receivables from exchange transactions (2014 AFS)	-	2,220,444
Other Receivables from exchange transactions (comparitive in 2015 AFS)	-	2,381,087
Difference	-	160,643

	2015	2014

44. Comparative figures (continued)

	2015	2014
Statement of Financial Performance		
Item 1		
Other receivables from non-exchange transactions (2014 AFS)	-	5,388,224
Receivables from non-exchange transactions (comparitive in 2015 AFS)	-	7,948,338
Difference	-	2,560,114
Statement of financial position	-	-
Item 2		
Investment Property (2014 AFS)	-	27,271,000
Investment Property (comparitive in 2015 AFS)	-	30,168,793
Difference	-	2,897,793
Statement of financial position		
Item 3		
Property, Plant and Equipment (2014 AFS)	-	679,030,174
Property, Plant and Equipment (comparitive in 2015 AFS)	-	725,260,319
Difference	-	46,230,145
Statement of financial position		
Item 3		
Employee benefit obligation (2014 AFS)	-	-
Employee benefit obligation(comparitive in 2015 AFS)	-	35,426,000
Difference	-	(35,426,000)
Provisions (2014 AFS)	-	42,049,500
Provisions (comparitive in 2015 AFS)	-	6,623,500
Difference	-	35,426,000
Item 4		
Payables from exchange transactions (2014 AFS)	-	50,089,421
General Expenses (comparitive in 2015 AFS)	-	51,548,265
Difference	-	(1,458,844)
Consumer Deposits (2014 AFS)	-	-
Consumer Deposits (comparitive in 2015 AFS)	-	1,261,912
Difference	-	(1,261,912)
Statement of financial position		
Item 5		
Trade receivables from exchange transactions (2014 AFS)	-	36,920,752
Trade receivables from exchange transactions (comparitive 2015 AFS)	-	38,099,111
	-	1,178,359
Item 5 - Statement of Financial Performance		
Rental of facilities and equipment (2014 AFS)	-	(1,028,034)
Rental of facilities and equipment (comparitive in 2015 AFS)	-	-
Licences and permits (Revenue from exchange transactions) 2014 AFS	-	(690)
Licences and permits (Revenue from exchange transactions) comparative in 2015 AFS	-	-
Licences and permits (Non Exchange) 2014 AFS	-	-
Licences and permits (Non Exchange) comparative in 2015 AFS	-	(690)
Sale of land (2014 AFS)	-	(759,223)
Sale of land (comparitive in 2015 AFS)	-	-
Other income (2014 AFS)	-	(1,292,726)
Other income (comparitive in 2015 AFS)	-	(3,636,098)
Dividends received (2014 AFS)	-	(25,031)
Dividends received (comparitive in 2015 AFS)	-	-
Other transfer revenue 1 (Transfer revenue) 2014 AFS	-	(61,840)
Other transfer revenue 1 (Transfer revenue) comparative in 2015 AFS	-	-
Donations (Transfer revenue) 2014 AFS	-	-

Notes to the Financial Statements

	2015	2014
44. Comparative figures (continued)		
Donations (Transfer revenue) Comparative 2015 AFS	-	(61,840)
Depreciation and amortisation (2014 AFS)	-	23,794,813
Depreciation and amortisation (comparitive in 2015 AFS)	-	48,758,767
Interest received (2014 AFS)	-	(531,083)
Interest received (comparitive in 2015 AFS)	-	-
Debt Impairment (2014 AFS)	-	48,773,392
Debt Impairment (comparitive in 2015 AFS)	-	71,709,422
Service charges (2014 AFS)	-	(89,713,659)
Service charges (comparitive 2015 AFS)	-	(90,971,747)
Item 6 - Statement of Financial position		
Operating lease Asset (2014 AFS)	-	204,716
Operating lease Asset (comparative in 2015 AFS)	-	-
Finance lease obligation (Current Portion) 2014 AFS	-	-
Finance lease obligation (Current Portion) Comparative in 2015 AFS	-	1,151,090
Statement of Financial Performance		
Finance Cost (2014 AFS)	-	888,298
Finance Cost (Comparative in 2015 AFS)	-	1,042,581
Contracted Services (2014 AFS)	-	1,805,605
Contracted Services (comparitive in 2015 AFS)	-	593,180
Item 7 - Statement of Financial position		
Intangible assets (2014 AFS)	-	30,000
Intangible assets Contracted Services (comparitive in 2015 AFS)	-	-
Item 8 - Statement of Financial Performance		
Fair value adjustment (2014 AFS)	-	261,401
fair value adjustment (comparative 2015 AFS)	-	3,159,194
	-	2,897,793
	-	1,897,784,240

Item 1, **4** and **5** - This reclassification was done as a result of remapping of certian amounts in Caseware.

Item 2 and 8 - Revaluation of investment property.

Item 3 - Correction of property,plant and equipment.

Item 5 - This is the effect of the Mayoral Chains ttat were accounted for in terms of GRAP103.

Item 6 - During the prior year audit an exception was raised that indicate leases was recognised incorrectly.

45. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the municipality. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The municipality provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Financial Statements

	2015	2014

45. 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,360,920	525,871	1,795,265	1,604,506
Consumer Deposits	1,342,073	-	-	-
Trade and other payables	88,713,613	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1,100,707	2,360,920	1,688,376	974,220
Consumer Deposits	1,261,912	-	-	-
Trade and other payables	51,541,347	-	-	-

	2015	2014

45. Risk management (continued)

Credit risk

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

With the exception of trade receivables, the economic entityonly transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The economic entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the economic entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from nonperformance by these counterparties.

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

Financial instrument	2015	2014
	-	-
First National Bank current account	157,384	29,276
ABSA Bank current account	-	608,863
ABSA Money market - 9230571400	25,192	23,914
First National Bank colateral - 94831059998	97,191	97,191
Old Mutual shares	152,362	141,653
Standard Bank - 248495860-001	111	111
OVK	974,495	974,495
ABSA Bank Investment surplus - 9264898325	3,375,858	2,940
ABSA Investment - 9264892561	360,849	467,664
ABSA Investment - 9278793703	2,920,403	2,919,688
ABSA Investment - 9277963448	271,697	3,285,602

These balances represent the maximum exposure to credit risk.

These balances represent the maximum exposure to credit risk.

Market risk

	2015	2014

45. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA Bank current account
- ABSA Bank money market account
- DBSA loans
- ABSA loans

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Gross operating lease obligation	8.50 %	-	-	-	-	-
Borrowings	16.00 %	1,232,312	2,139,870	1,704,818	-	-
Trade and other payables	14.00 %	5,832,840	-	-	-	-

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality. The value of the shares depends on the shar price at year end. These shares are not listed on any stock exchange. The municipality is not exposed to commodity price risk.

Unlisted investments consist of OVK shares.

46. Events after the reporting date

There are no significant matters to report after the reporting date.

47. Unauthorised expenditure

	2015	2014
Opening balance	-	151,445,400
Adjustment of Opening balance due to prior year understatement	-	8,635,109
Unauthorised expenditure	131,838,000	-
Less: Approved by Council or Condoned	-	(160,080,509)
	131,838,000	**-**

Include in the above unauthorised expenditeure is expenditure of R93 043 811 for impairment of assets in the current year.

The municipality is currently investigating these overspendings. The investigation will be carried out in line with the guidance provided in the MFMA circular 68 and other applicable legislation.

The outcome of these investigations will be presented to council.

48. Fruitless and wasteful expenditure

	2015	2014
Opening balance	269,862	1,198,013
Fruitless and wasteful expenditure	5,832,840	3,158,533
Less: Written off by Council - Prior Year	(269,862)	(4,059,684)
- Current Year	(1,623,068)	-
Adjustment of Opening balance due to prior year overstatement	-	(27,000)
	4,209,772	**269,862**

Adjustment of Opening Balance due to prior year Overstatement:

	2015	2014

48. Fruitless and wasteful expenditure (continued)

The prior year amount	R 296,862
Recalculation of transactions on Ex.115	R 269,862
Difference	R 27,000

49. Irregular expenditure

	2015	2014
Opening balance	17,340,177	17,635,756
Irregular Expenditure - Non compliance to SCM policy	28,387,018	2,284,321
Irregular Expenditure - Deviation from Procurement	3,642,634	4,875,836
Less: Amounts written off by Council or condoned for the current year	(3,851,035)	(21,907,889)
Less: Amounts written off by Council or condoned for the prior years	(16,582,896)	-
Less: Amounts written off by Council or condoned - Deviation	(1,831,664)	-
Adjustment of Opening balance due to prior year overstatement	-	(2,888,024)
Adjustment of Opening Balance due to prior year understatement	-	17,340,177
	27,104,234	**17,340,177**

Break down of Irregular expenditure not yet condoned / written off

	2015	2014
Current year: SCM processes	7,052,105	2,284,321
Current year: SCM deviations	1,810,970	4,875,836
Prior year	757,281	-
Identified during audit processes	17,483,878	10,180,020
	27,104,234	**17,340,177**

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2015	2014
Current year subscription / fee	760,889	487,314
Amount paid - current year	(760,889)	(487,314)
	-	**-**

Distribution losses

Reticulation losses

	2015	2014
Estimated electricity and water losses suffered by the municipality for the year under review are as follows:	-	-
Estimated losses - Electricity	9,926,367	2,895,248
Estimated losses - Water	3,974,399	11,302,449
	13,900,766	**14,197,697**

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors,illegal connections, meter tampering and incorrect metering.

The main reason for incurring water losses relates to burst water pipes, leaks and unmetered water sites.

Notes to the Financial Statements

	2015	2014

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

Audit fees

	2015	2014
Opening balance	102,266	107,579
Current year subscription / fee	4,750,297	3,959,890
Amount paid	(771,271)	(3,965,203)
	4,081,292	**102,266**

PAYE and UIF

	2015	2014
Opening balance	2,260,477	1,468,302
Current year subscription / fee	6,483,282	7,582,063
Amount paid - current year	(6,483,282)	(6,789,888)
	2,260,477	**2,260,477**

Pension and Medical Aid Deductions

	2015	2014
Opening balance	1,406,047	1,295,580
Current year subscription / fee	17,071,396	13,963,202
Amount paid - current year	(17,015,718)	(13,852,735)
	1,461,725	**1,406,047**

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

Councillors' arrear consumer accounts

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

30 June 2015	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Councillor M.A Majara	728	681	1,409
Councillor M.A Malakane	3,087	1,152	4,239
Councillor YJ Jacobs	176	300	476
Councillor MC Chomane	1,183	1,253	2,436
Councillor V Raboko	1,377	11,862	13,239
Councillor CJ Roberts/Thaisi	4,226	3,634	7,860
Councillor DT Molefe	11,611	7,240	18,851
Councillor KI Tigeli	1,167	6,646	7,813
Councillor M Sebotsa	406	-	406
Councillor DB Holmes	206	3,579	3,785
Councillor BM Sani	1,143	4,224	5,367
Councillor S.D Ntsepe	627	-	627
Councillor PN Seoe	345	-	345
Councillor E Kouveldt	362	-	362
	26,644	**40,571**	**67,215**

30 June 2014	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Councillor M.C Chomane	595	415	1,010
Councillor P.P Raboko	352	13,317	13,669
Councillor N.J Thaise	3,202	35,056	38,258
Councillor D.T Molefe	463	4,005	4,468
Councillor K.I Tigeli	838	10,298	11,136
Councillor M.A Majara	115	5,117	5,232
Councillor B.M Sani	220	3,021	3,241
	5,785	**71,229**	**77,014**

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

30 June 2015	**Highest outstanding amount**	**Aging (in days)**
Councillor MC Chomane	710	181
Councillor M Nakalebe	318	181
Councillor V Raboko	12,384	365
Councillor CJ Roberts	25,144	181
Councillor P Molefe	5,945	91
Councillor K.I Tigeli	8,732	365
Councillor P.N Seoe	4,313	365
Councillor SD Ntsepe	339	181
Councillor M.A Majara	25,413	365
	83,298	**2,275**

30 June 2014	**Highest outstanding amount**	**Aging (in days)**

	2015	2014

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

Councillor M.C Chomane	305	181
Councillor P.N Nakalebe	157	181
Councillor P.P Raboko	7,386	365
Councillor N.J Thaise	16,353	121
Councillor D.T Molefe	1,924	365
Councillor K.I Tigeli	5,793	365
Councillor P.B Matsunyane	5,286	365
Councillor G.M Seoe	1,780	181
Councillor M.C Sebotsa	157	181
Councillor S.D Ntsepe	173	181
Councillor M.A Majara	4,419	365
Councillor M.A Malakane (015356/005837)	2,554	365
Councillor M.A Malakane (016518/026321)	1,305	365
Councillor Y.J Jacobs	482	91
Councillor T Halse	427	365
Councillor D Holmes	4,443	365
Councillor B.M Sani	3,726	365
	56,670	**4,767**

51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	6,286,562	6,124,225

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

53. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Other	**Total**
Adjustment to prior year creditors	4,763,491	4,763,491
Adjustment to prior year receivables	1,159,191	1,159,191
	-	-

During the current year creditors were paid in respect of previous years. These payments were processed against the accumulated surplus account.

54. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At amortised cost	**Total**
Other financial assets	1,391,845	1,391,845

	2015	2014

. Financial instruments disclosure (continued)

Trade receivables from exchange transactions	38,013,721	38,013,721
Other receivables from non-exchange transactions	6,791,202	6,791,202
Other receivables from exchange transactions	4,686,170	4,686,170
Cash and cash equivalents	7,197,621	7,197,621
Inventories	700,007	700,007
Current portion of long term receivables	6,010	6,010
Long-term Receivables	650,327	650,327
	59,436,903	**59,436,903**

Financial liabilities

	At amortised cost	Total
Borrowings - short term	2,360,920	2,360,920
Trade and other payables from exchange transactions	88,713,613	88,713,613
Consumer deposits	1,342,073	1,342,073
Unspent conditional grants and receipts	223,401	223,401
Borrowings	3,925,642	3,925,642
	96,565,649	**96,565,649**

2014

Financial assets

	At amortised cost	Total
Other financial assets	1,213,339	1,213,339
Tradereceivables from exchange transactions	38,099,111	38,099,111
Other receivables from non-exchange transactions	7,948,338	7,948,338
Other receivables from exchange transactions	2,381,087	2,381,087
Cash and cash equivalents	7,339,375	7,339,375
Inventories	702,360	702,360
Current portion of long term receivables	5,956	5,956
Long-term Receivables	202,580	202,580
	57,892,146	**57,892,146**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	1,151,090	1,151,090
Borrowings - short term	1,100,707	1,100,707
Trade and other payables from exchange transactions	51,541,347	51,541,347
Consumer deposits	1,261,912	1,261,912
Unspent conditional grants and receipts	5,729,080	5,729,080
Borrowings	5,023,518	5,023,518
	65,807,654	**65,807,654**

55. Operating Leases

Operating Leases	3,132,263	593,180

The municipality have operating lease from Fintech for PPX telephone system. The lease started on 27 July 2009.

	2015	2014

56. Going concern

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

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

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant decrease in accounts payable of R 14,109,139 (2014: R 3,595,057;
- The municipality incurred a deficit of R 113,919,512 during the year (2014: deficit R 1,138,900);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors decreased from R 252,603,462 in 2014 to R 218,649,980 as at 30 June 2015;
- The provision for doubtful debts have been estimated at R (175,056,330) (2014: R (208,238,915)). This equates to approximately 80% of gross outstanding debtors (2014: 82%).
- At 30 June 2015 the municipality's current liabilities amounted to R 92,942,668 (2014: R 75,195,936), whilst the current assets amounted to R 57,394,731 (2014: R 56,476,227)..

We draw attention to the fact that at 30 June 2015, the municipality's total assets amount to R819,553,803 and the total liabilities amount to R151,435,678. The total assets exceeds the total liabilities by R668,098,125.

Although certain going concern ratios 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 6 of 2011).

The municipality shall therefore continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseable future, as a going concern.

The municipality is also exploring alternative options to improve it's financial position.

Mantsopa Local Municipality
Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand	Carrying Value of Property, Plant & Equip Rand	Otl ac v
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
Bonds								
Other loans								
Lease liability								
Annuity loans								
Government loans								
Total external loans								

Mantsopa Local Municipality
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Community Assets														

Mantsopa Local Municipality
Mantsopa Local Municipality
Appendix B

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

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

Mantsopa Local Municipality
Mantsopa Local Municipality
Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														

Mantsopa Local Municipality
Appendix C

Segmental analysis of property, plant and equipment as at 3

	Cost/Revaluation							Accumulated		
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand
Municipality										
Executive & Council/Mayor and Council	-	-	77,694	-	-	**-**	**77,694**	-	77,694	-
Finance & Admin/Finance	-	-	(5,539)	-	-	**-**	**(5,539)**	-	(5,539)	-
Planning and Development/Economic Development/Plan	-	-	(904)	-	-	**-**	**(904)**	-	(904)	-
Comm. & Social/Libraries and archives	-	-	(7,637)	-	-	**-**	**(7,637)**	-	(7,637)	-
Housing	-	-	610	-	-	**-**	**610**	-	610	-
Public Safety/Police	-	-	(259)	-	-	**-**	**(259)**	-	(259)	-
Waste Water Management/Sewerage	-	-	(63,593)	-	-	**-**	**(63,593)**	-	(63,593)	-
Road Transport/Roads	-	-	(60,929)	-	-	**-**	**(60,929)**	-	(60,929)	-
Water/Water Distribution	-	-	15,342	-	-	**-**	**15,342**	-	15,342	-
Electricity /Electricity Distribution	-	-	(17,196)	-	-	**-**	**(17,196)**	-	(17,196)	-
	-	**-**	**(62,411)**	**-**	**-**	**-**	**(62,411)**	**-**	**(62,411)**	**-**
Municipal Owned Entities										
Total										
Municipality	-	-	(62,411)	-	-	**-**	**(62,411)**	-	(62,411)	-
	-	**-**	**(62,411)**	**-**	**-**	**-**	**(62,411)**	**-**	**(62,411)**	**-**

Mantsopa Local Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
84,175,140	104,168,323	(19,993,183)	Executive & Council/Mayor and Council	96,152,663	50,130,566	46,022,097
16,292,323	4,611,762	11,680,561	Finance & Admin/Finance	18,814,289	21,583,876	(2,769,587)
2,830,282	2,631,395	198,887	Planning and Development/Economic Development/Plan	2,117,314	2,569,367	(452,053)
2,176,257	6,356,791	(4,180,534)	Comm. & Social/Libraries and archives	4,702,590	8,520,867	(3,818,277)
1,488,809	1,358,753	130,056	Housing	1,865,105	1,560,167	304,938
2,440,731	2,259,954	180,777	Public Safety/Police	3,387,739	3,517,155	(129,416)
46,628,165	10,252,605	36,375,560	Waste Water Management/Sewerage	28,624,837	60,421,230	(31,796,393)
6,387,395	31,242,061	(24,854,666)	Road Transport/Roads	18,585,272	49,050,011	(30,464,739)
23,617,275	27,229,293	(3,612,018)	Water/Water Distribution	30,834,952	23,163,804	7,671,148
45,606,782	42,516,837	3,089,945	Electricity /Electricity Distribution	41,912,791	50,510,955	(8,598,164)
231,643,159	**232,627,774**	**(984,615)**		**246,997,552**	**271,027,998**	**(24,030,446)**
			Municipal Owned Entities			
			Other charges			
231,643,159	232,627,774	(984,615)	Municipality	246,997,552	271,027,998	(24,030,446)
231,643,159	**232,627,774**	**(984,615)**	**Total**	**246,997,552**	**271,027,998**	**(24,030,446)**

Mantsopa Local Municipality
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	89,301,352	102,646,788	(13,345,436)	(13.0)	
Commissions received	22,214,556	20,000,000	2,214,556	11.1	
Other income - (rollup)	2,786,186	2,222,620	563,566	25.4	
	114,302,094	124,869,408	(10,567,314)	(8.5)	
Expenses					
Personnel	(67,562,317)	(71,479,033)	3,916,716	(5.5)	
Remuneration of councillors	(5,523,627)	(5,714,645)	191,018	(3.3)	
Administration	(5,780,218)	(474,000)	(5,306,218)	1,119.5	
Depreciation	(50,586,688)	(11,991,000)	(38,595,688)	321.9	
Impairments	(93,043,811)	-	(93,043,811)	-	
Finance costs	(1,424,968)	(555,067)	(869,901)	156.7	
Bad debts written off	(60,961,545)	(20,090,000)	(40,871,545)	203.4	
Repairs and maintenance - General	(4,723,856)	(6,116,598)	1,392,742	(22.8)	
Bulk purchases	(34,310,849)	(33,646,500)	(664,349)	2.0	
Contracted Services	(3,132,263)	(3,271,239)	138,976	(4.2)	
Transfers and Subsidies	(996,804)	(19,895,000)	18,898,196	(95.0)	
General Expenses	(40,568,693)	(35,937,800)	(4,630,893)	12.9	
	(368,615,639)	(209,170,882)	(159,444,757)	76.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(10,501)	-	(10,501)	-	
Fair value adjustments	2,809,069	-	2,809,069	-	
	2,798,568	-	2,798,568	-	
Net surplus/ (deficit) for the year	(251,514,977)	(84,301,474)	(167,213,503)	198.4	

Mantsopa Local Municipality
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	90,626	**-**	**(90,626)**	**-**	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies dela withheld			
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Mantsopa Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

2015/2014

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome a[s % of Origin]al Budge[t]
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard											
Governance and administration	**99,147,246**	**99,628,117**	**198,775,363**	**-**		**198,775,363**	**114,966,952**		**(83,808,411)**	**58 %**	**11**
Executive and council	12,989,848	13,690,685	26,680,533	-		26,680,533	13,842,885		(12,837,648)	52 %	10
Budget and treasury office	71,194,489	70,904,853	142,099,342	-		142,099,342	82,309,778		(59,789,564)	58 %	11
Corporate services	14,962,909	15,032,579	29,995,488	-		29,995,488	18,814,289		(11,181,199)	63 %	12
Community and public safety	**10,245,031**	**10,222,711**	**20,467,742**	**-**		**20,467,742**	**9,955,434**		**(10,512,308)**	**49 %**	**9**
Community and social services	3,765,865	4,817,143	8,583,008	-		8,583,008	4,702,590		(3,880,418)	55 %	12
Public safety	4,576,499	3,668,029	8,244,528	-		8,244,528	3,387,739		(4,856,789)	41 %	7
Housing	1,902,667	1,737,539	3,640,206	-		3,640,206	1,865,105		(1,775,101)	51 %	9
Economic and environmental services	**21,697,589**	**20,778,059**	**42,475,648**	**-**		**42,475,648**	**20,702,586**		**(21,773,062)**	**49 %**	**9**
Planning and development	4,330,940	3,411,410	7,742,350	-		7,742,350	2,117,314		(5,625,036)	27 %	4
Road transport	17,366,649	17,366,649	34,733,298	-		34,733,298	18,585,272		(16,148,026)	54 %	10
Trading services	**78,712,716**	**71,422,382**	**150,135,098**	**-**		**150,135,098**	**59,459,789**		**(90,675,309)**	**40 %**	**7**
Water	43,319,964	41,087,210	84,407,174	-		84,407,174	30,834,952		(53,572,222)	37 %	7
Waste water management	22,689,004	19,338,264	42,027,268	-		42,027,268	18,181,794		(23,845,474)	43 %	8
Waste management	12,703,748	10,996,908	23,700,656	-		23,700,656	10,443,043		(13,257,613)	44 %	8
Total Revenue - Standard	**209,802,582**	**202,051,269**	**411,853,851**	**-**		**411,853,851**	**205,084,761**		**(206,769,090)**	**50 %**	**9**

Mantsopa Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

2015/2014

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome a of Origir Budge
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard											
Governance and administration	**82,587,569**	**82,854,453**	**165,442,022**	**-**	**-**	**165,442,022**	**71,714,442**	**-**	**(93,727,580)**	**43 %**	**8**
Executive and council	17,556,666	19,260,338	36,817,004	-	-	36,817,004	16,781,759	-	(20,035,245)	46 %	9
Budget and treasury office	47,142,390	47,919,139	95,061,529	-	-	95,061,529	33,348,807	-	(61,712,722)	35 %	7
Corporate services	17,888,513	15,674,976	33,563,489	-	-	33,563,489	21,583,876	-	(11,979,613)	64 %	12
Community and public safety	**13,785,294**	**14,369,322**	**28,154,616**	**-**	**-**	**28,154,616**	**13,598,189**	**-**	**(14,556,427)**	**48 %**	**9**
Community and social services	7,306,128	8,963,753	16,269,881	-	-	16,269,881	8,520,867	-	(7,749,014)	52 %	11
Public safety	4,576,499	3,668,029	8,244,528	-	-	8,244,528	3,517,155	-	(4,727,373)	43 %	7
Housing	1,902,667	1,737,540	3,640,207	-	-	3,640,207	1,560,167	-	(2,080,040)	43 %	8
Economic and environmental services	**17,487,097**	**15,215,552**	**32,702,649**	**-**	**-**	**32,702,649**	**51,619,378**	**-**	**18,916,729**	**158 %**	**29**
Planning and development	4,330,940	3,411,410	7,742,350	-	-	7,742,350	2,569,367	-	(5,172,983)	33 %	5
Road transport	13,156,157	11,804,142	24,960,299	-	-	24,960,299	49,050,011	-	24,089,712	197 %	37
Trading services	**60,028,422**	**58,211,653**	**118,240,075**	**-**	**-**	**118,240,075**	**83,585,034**	**-**	**(34,655,041)**	**71 %**	**13**
Water	25,656,917	23,615,388	49,272,305	-	-	49,272,305	23,163,804	-	(26,108,501)	47 %	9
Waste water management	16,821,517	17,480,287	34,301,804	-	-	34,301,804	33,786,494	-	(515,310)	98 %	20
Waste management	17,549,988	17,115,978	34,665,966	-	-	34,665,966	26,634,736	-	(8,031,230)	77 %	15
Total Expenditure - Standard	**173,888,382**	**170,650,980**	**344,539,362**	**-**	**-**	**344,539,362**	**220,517,043**	**-**	**(124,022,319)**	**64 %**	**12**
Surplus/(Deficit) for the year	**35,914,200**	**31,400,289**	**67,314,489**	**-**		**67,314,489**	**(15,432,282)**		**(82,746,771)**	**(23)%**	**(4**

Mantsopa Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

	2015/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	A Outc of B
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	R
Revenue by Vote										
Expenditure by Vote to be appropriated										

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

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	16,086,267	12,886,267	28,972,534	-		28,972,534	12,437,677		(16,534,857)	43 %	77 %				12,668,157
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	34,937,326	38,282,006	73,219,332	-		73,219,332	34,516,789		(38,702,543)	47 %	99 %				39,906,183
Service charges - water revenue	36,319,964	34,062,610	70,382,574	-		70,382,574	26,188,355		(44,194,219)	37 %	72 %				23,063,568
Service charges - sanitation revenue	22,679,004	19,320,264	41,999,268	-		41,999,268	18,169,751		(23,829,517)	43 %	80 %				17,848,969
Service charges - refuse revenue	12,695,748	10,981,908	23,677,656	-		23,677,656	10,426,457		(13,251,199)	44 %	82 %				10,153,027
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	150,000	150,000	300,000	-		300,000	535,620		235,620	179 %	357 %				491,350
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	101,274,100	101,274,100	202,548,200	-		202,548,200	93,298,712		(109,249,488)	46 %	92 %				99,758,841
Other revenue	21,877,600	22,222,620	44,100,220	-		44,100,220	27,810,688		(16,289,532)	63 %	127 %				25,665,475
Gains on disposal of PPE	-	-	-	-		-	(10,501)		(10,501)	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**246,020,009**	**239,179,775**	**485,199,784**	**-**		**485,199,784**	**223,373,548**		**(261,826,236)**	**46 %**	**91 %**				**229,555,570**

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

	2015/2014														2014/2013
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	74,033,991	71,479,033	145,513,024	-	-	145,513,024	67,562,317	-	(77,950,707)	46 %	91 %	-	-	-	60,473,233
Remuneration of councillors	5,714,645	5,714,645	11,429,290	-	-	11,429,290	5,523,627	-	(5,905,663)	48 %	97 %	-	-	-	4,909,057
Debt impairment	20,095,283	20,090,000	40,185,283		-	40,185,283	60,961,545	-	20,776,262	152 %	303 %	-	-	-	71,709,420
Depreciation & asset impairment	11,991,000	11,991,000	23,982,000		-	23,982,000	143,630,499	-	119,648,499	599 %	1,198 %	-	-	-	48,758,767
Finance charges	512,000	555,067	1,067,067	-	-	1,067,067	1,424,968	-	357,901	134 %	278 %	-	-	-	1,042,581
Bulk purchases	33,646,500	33,646,500	67,293,000	-	-	67,293,000	34,310,849	-	(32,982,151)	51 %	102 %	-	-	-	30,795,917
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	3,963,239	3,271,239	7,234,478	-	-	7,234,478	3,132,263	-	(4,102,215)	43 %	79 %	-	-	-	593,180
Transfers and grants	24,045,000	19,895,000	43,940,000	-	-	43,940,000	996,804	-	(42,943,196)	2 %	4 %	-	-	-	511,741
Other expenditure	38,834,684	42,528,398	81,363,082	-	-	81,363,082	51,072,767	-	(30,290,315)	63 %	132 %	-	-	-	13,988,160
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**212,836,342**	**209,170,882**	**422,007,224**	**-**	**-**	**422,007,224**	**368,615,639**	**-**	**(53,391,585)**	**87 %**	**173 %**	**-**	**-**	**-**	**232,782,056**
Surplus/(Deficit)	**33,183,667**	**30,008,893**	**63,192,560**	**-**		**63,192,560**	**(145,242,091)**		**(208,434,651)**	**(230)%**	**(438)%**				**(3,226,486)**
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributions recognised - capital	-	10,000	10,000	-		10,000	10,000		-	100 %	DIV/0 %				61,840
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**33,183,667**	**30,018,893**	**63,202,560**	**-**		**63,202,560**	**(145,232,091)**		**(208,434,651)**	**(230)%**	**(438)%**				**(3,164,646)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**33,183,667**	**30,018,893**	**63,202,560**	**-**		**63,202,560**	**(145,232,091)**		**(208,434,651)**	**(230)%**	**(438)%**				**(3,164,646)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**33,183,667**	**30,018,893**	**63,202,560**	**-**		**63,202,560**	**(145,232,091)**		**(208,434,651)**	**(230)%**	**(438)%**				**(3,164,646)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**33,183,667**	**30,018,893**	**63,202,560**	**-**		**63,202,560**	**(145,232,091)**		**(208,434,651)**	**(230)%**	**(438)%**				**(3,164,646)**

Mantsopa Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote										
Multi-year expenditure										
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %
Capital multi-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Single-year expenditure										
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %
Capital single-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Total Capital Expenditure - Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**

Mantsopa Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard										
Governance and administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %
Community and public safety	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %
Health	-	-	-	-	-	-	-	-	-	DIV/0 %
Economic and environmental services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %
Trading services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %
Water	-	-	-	-	-	-	-	-	-	DIV/0 %
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %
Total Capital Expenditure - Standard	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**
Funded by:										
National Government	-	-	-	-		-	-		-	DIV/0 %
Provincial Government	-	-	-	-		-	-		-	DIV/0 %
District Municipality	-	-	-	-		-	-		-	DIV/0 %
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %
Transfers recognised - capital	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %
Borrowing	-	-	-	-		-	-		-	DIV/0 %
Internally generated funds	-	-	-	-		-	-		-	DIV/0 %
Total Capital Funding	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**

Mantsopa Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

	2015/2014								2014
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	246,020,009	340,453,875	586,473,884	586,473,884	317,724,370	(268,749,514)	54 %	129 %	316,198,807
Government - operating	-	101,274,100	101,274,100	101,274,100	93,298,712	(7,975,388)	92 %	DIV/0 %	99,758,841
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	224,827,342	241,621,949	466,449,291	466,449,291	546,436,206	79,986,915	117 %	243 %	286,324,979
Finance charges	-	555,067	555,067	555,067	1,424,968	869,901	257 %	DIV/0 %	1,042,581
Transfers and Grants	-	19,895,000	19,895,000	19,895,000	996,804	(18,898,196)	5 %	DIV/0 %	511,741
Net cash flow from/used operating activities	**470,847,351**	**703,799,991**	**1,174,647,342**	**1,174,647,342**	**959,881,060**	**(214,766,282)**	**82 %**	**204 %**	**703,836,949**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	(10,501)	(10,501)	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	(6,010)	(6,010)	DIV/0 %	DIV/0 %	(5,956)
Decrease (increase) in non-current investments	-	-	-	-	178,506	178,506	DIV/0 %	DIV/0 %	266,202
Payments									
Capital assets	-	-	-	-	(73,248,736)	(73,248,736)	DIV/0 %	DIV/0 %	(113,504,695)
Net cash flow from/used investing activities	**-**	**-**	**-**	**-**	**(73,086,741)**	**(73,086,741)**	**DIV/0 %**	**DIV/0 %**	**(113,244,449)**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(988,753)	(988,753)	DIV/0 %	DIV/0 %	485,296
Increase (decrease) in consumer deposits	-	-	-	-	80,161	80,161	DIV/0 %	DIV/0 %	104,735
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**(908,592)**	**(908,592)**	**DIV/0 %**	**DIV/0 %**	**590,031**
Net increase/(decrease) in cash held	**470,847,351**	**703,799,991**	**1,174,647,342**	**1,174,647,342**	**885,885,727**	**(288,761,615)**	**75 %**	**188 %**	**591,182,531**
Cash/cash equivalents at the year begin:					7,339,375				8,025,791
Cash/cash equivalents at the year end:	**470,847,351**	**703,799,991**	**1,174,647,342**	**1,174,647,342**	**893,225,102**	**(288,761,615)**	**76 %**	**190 %**	