

MOSSELBAY  
**MUNICIPALITY**



A N N U A L F I N A N C I A L S T A T E M E N T S

2014/15



MOSSELBAAI MOSSEL BAY MOSSELBAYI

## VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

## MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

## VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



*Explore Endless Horizons!*

<b>Contents</b>	<b>Page</b>
<b>GENERAL INFORMATION</b>	<b>4</b>
<b>REVIEW OF THE YEAR</b>	<b>6</b>
<b>CERTIFICATION BY ACCOUNTING OFFICER</b>	<b>7</b>
<b>REPORT OF THE CHIEF FINANCIAL OFFICER</b>	<b>8</b>
<b>REPORT OF THE AUDITOR-GENERAL</b>	<b>23</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>23</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>28</b>
<b>STATEMENT OF CHANGES IN NET ASSETS</b>	<b>29</b>
<b>CASH FLOW STATEMENT</b>	<b>30</b>
<b>STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS</b>	<b>31</b>
<b>NOTES TO THE ANNUAL FINANCIAL STATEMENTS</b>	<b>43</b>
<i>Note 1: Accounting Policies</i>	<b>43</b>
<i>Notes 2 – 57: Other Notes to Annual Financial Statements</i>	<b>79</b>
<i>Note 57: Implication of standards approved but not yet effective:</i>	<b>125</b>
<b>APPENDICES</b>	<b>127</b>
<i>Appendix A : Schedule of External Loans</i>	<b>127</b>
<i>Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)</i>	<b>128</b>
<i>Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)</i>	<b>129</b>
<i>Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)</i>	<b>130</b>

**GENERAL INFORMATION**

**Mayoral Committee:** Alderlady M Ferreira (Executive Mayor)  
Councillor H Levendal (Deputy Executive Mayor)  
Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)  
Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)  
Councillor C Bayman (Chairperson of Human Settlement Committee)  
Councillor P Terblanche (Chairperson of Community Services Committee)  
Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)

**Speaker:** Alderman KH Smit

**Ward Councillors:**

1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K H Smit (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Clr D Kotzé (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr R Ruiters (DA)	14 Clr J C Bayman (DA)

**Proportional Representative Councillors:**

Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booysen (ANC)	Alderlady MM Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr D van Rensburg (ACDP)
Clr M M van Wyk (ANC)	

**Auditors:** The Auditor-General  
Private Bag X1  
CHEMPET, 7442

**Municipal Manager:** Dr MR Gratz

**Chief Financial Officer:** Mr MK Botha

**Registered Office:** 101 Marsh Street  
Mossel Bay  
6506

**Postal address:** PO Box 25  
Mossel Bay  
6500

**Telephone:** (044) 606-5000

**Facsimile:** (044) 606-5062

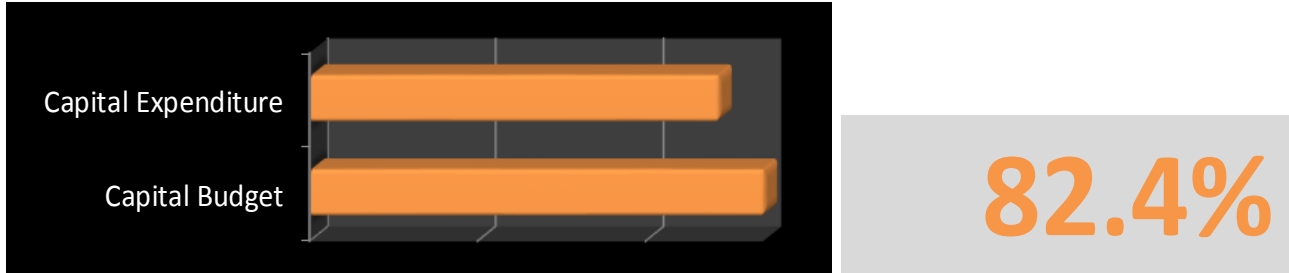
**E-mail:** [admin@mosselbay.gov.za](mailto:admin@mosselbay.gov.za)

**Website:** <http://www.mosselbay.gov.za>

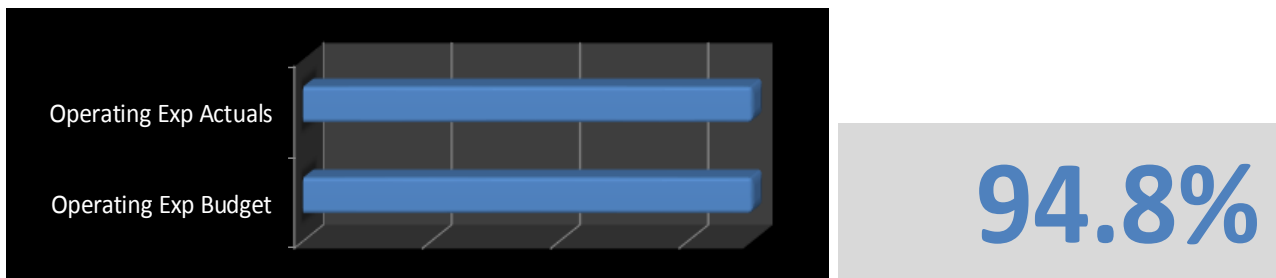
## REVIEW OF THE YEAR

### 1 FINANCIAL PERFORMANCE

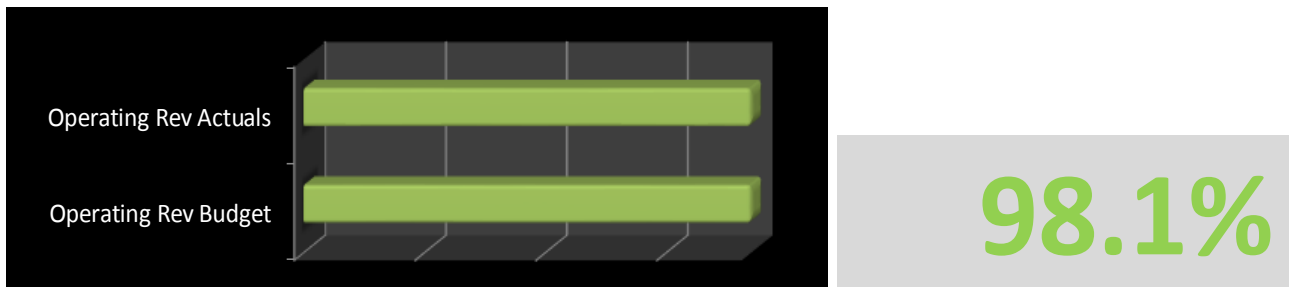
#### CAPITAL:



#### OPERATING EXPENDITURE:



#### OPERATING REVENUE:



### 2 LIQUIDITY POSITION

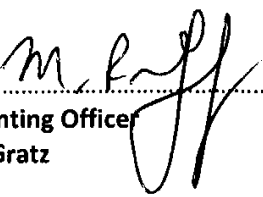


The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. This ratio has remained stable from the prior year when the ratio was 2.3:1.

**CERTIFICATION BY ACCOUNTING OFFICER**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 125 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

  
.....  
**Accounting Officer**  
**Dr M Gratz**

**Date: 30 November 2015**

## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2015 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

### 2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2014/15 financial performance of the municipality to the 2013/14 comparative figures:

<b>RATIO DESCRIPTION</b>	<b>2014/15</b>	<b>2013/14</b>
<b><u>REVENUE MANAGEMENT</u></b>		
<i>Level of reliance on Government grants</i>	15.7%	15.0%
<i>Actual income vs Budgeted income*</i>	-1.9%	8.5%
<b><u>EXPENDITURE MANAGEMENT</u></b>		
<i>Personnel costs to total expenditure</i>	28.9%	30.1%
<i>Actual expenditure vs Budgeted expenditure*</i>	-5.2%	-7.8%
<i>Interest paid as a percentage of total expenditure</i>	0.4%	0.4%
<i>Repairs and maintenance / PPE (carrying amount)</i>	2.2%	2.1%
<i>Repairs and maintenance / Total expenditure</i>	5.4%	5.4%
<b><u>ASSET MANAGEMENT</u></b>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	-17.6%	-6.8%
<i>Stockholding period (DAYS)</i>	13 days	26 days
<b><u>DEBT MANAGEMENT</u></b>		
<i>Creditors payment period (DAYS)</i>	30 days	29 days
<i>Arrear debtors collection period (DAYS)</i>	28 days	26 days
<b><u>LIQUIDITY</u></b>		
<i>Current ratio</i>	2.3 : 1	2.3 : 1
<i>Acid Test ratio</i>	2.2 : 1	2.1 : 1
<i>Turnover of accounts receivable</i>	6.3 : 1	5.7 : 1
<i>Cash to Interest</i>	115.0 : 1	91.0 : 1
<i>Debt to Cash</i>	1.1 : 1	1.3 : 1
<i>Cash to Income</i>	3.8 : 1	1.6 : 1
<i>Total Liabilities / Total Assets</i>	0.1 : 1	0.1 : 1

\* Refer to Statement of Comparison of Budget and Actual amounts

\*\* Refer to Statement of Comparison of Budget and Actual amounts

**LIQUIDITY POSITION OF MUNICIPALITY**

*3.1 Liquidity*

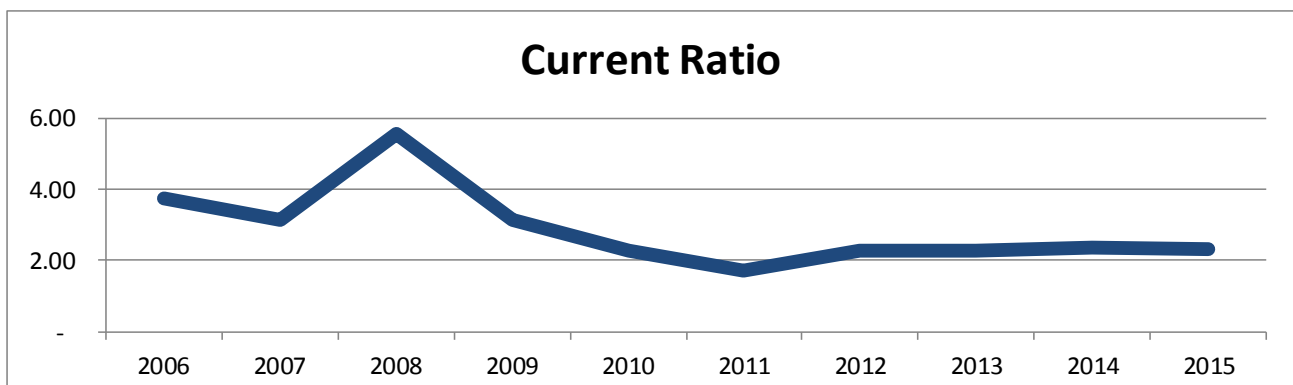
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality’s liquidity position.

The calculation of these ratios is as follows:

<b>RATIO DESCRIPTION</b>	<b>FORMULA</b>	<b>2014/15</b>	<b>2013/14</b>
<b><u>Current ratio</u></b>	Current Assets	421 712 253	356 222 011
	Current Liabilities	181 842 349	151 599 120
		<b>2.3</b>	<b>2.3</b>
<b><u>Acid Test ratio</u></b>	Current Assets – Inventory	401 073 026	320 068 264
	Current Liabilities	181 842 349	151 599 120
		<b>2.2</b>	<b>2.1</b>
<b><u>Turnover of accounts receivable</u></b>	Revenue (credit)	564 138 177	513 867 848
	Accounts receivable	89 935 163	90 303 573
		<b>6.3</b>	<b>5.7</b>
<b><u>Debt to cash</u></b>	Total Liabilities	351 589 352	317 344 770
	Cash balance at end of period	319 252 041	243 836 485
		<b>1.1</b>	<b>1.3</b>

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved slightly compared to the 2013/14 financial year. The Municipality generates 6.3 times more revenue than what the outstanding accounts are. The debtors’ collection period (for debtors in arrears) has deteriorated from 26 days in 2013/14 to 28 days in the 2014/15 year.

The following graph shows the history and the current year ratio for the municipality:



**4 OPERATING RESULTS**

*4.1 Summary of Results*

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2014/15	Actual 2013/14	Variance	Adjusted Budget 2014/15	Variance
<b>INCOME</b>					
<i>Opening surplus/(deficit)</i>	2 005 325 217	1 617 317 380	24.0%		
<i>Operating income for the year</i>	807 453 950	820 941 709	-1.6%	823 057 598	-1.9%
<i>Appropriations for the year</i>	( 63 509 535)	( 5 371 857)			
	<b>2 749 269 632</b>	<b>2 432 887 233</b>	<b>13.0%</b>	<b>823 057 598</b>	<b>234.0%</b>
<b>EXPENDITURE</b>					
<i>Operating expenditure for the year</i>	723 781 519	670 026 882	8.0%	763 793 825	-5.2%
<i>Sundry transfers</i>	-	( 242 464 867)	-100.0%		
<i>Closing surplus/(deficit)</i>	2 025 488 113	2 005 325 217	1.0%	59 263 773	
	<b>2 749 269 632</b>	<b>2 432 887 233</b>	<b>13.0%</b>	<b>823 057 598</b>	<b>234.0%</b>

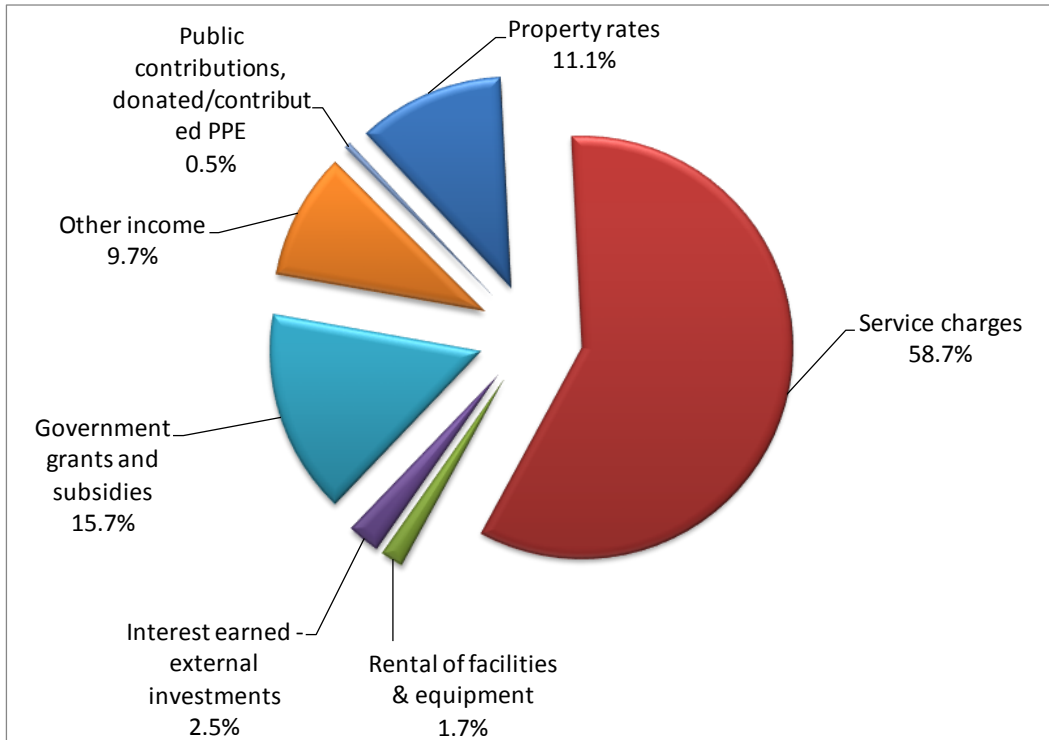
The accumulated surplus at 30 June 2015 amounted to R 2 025.5 million. The accumulated surplus of R 1 975.7 million at 30 June 2014 was restated with previous year corrections of R 29.6 million, amounting to R 2 005.3 million. From the 2013/14 financial year the accumulated surplus increased with R 20.2 million or 1.0% to the 2014/15 financial year.

The operating income decreased by 1.6% to R 807.5 million from the previous financial year’s income of R 820.9 million. The main contributor to this is the decrease in Actuarial Gains, whilst Service charges increased. The operating expenditure increased by 8.0% to R 723.8 million. This increase is mainly due to the Eskom increase in electricity purchases.

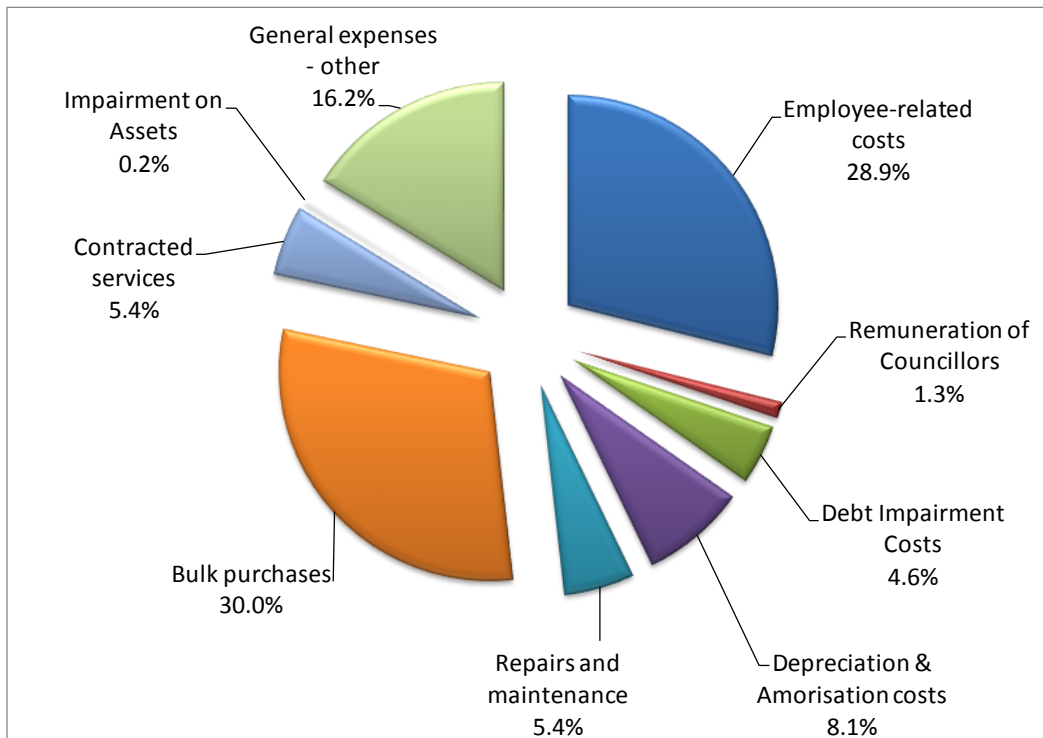
The Municipality’s financial statements ended on a surplus of R 83.7 million. It must, however, be taken into account that various non-cash transactions is included in this surplus.

4.2 Operating Revenue and Expenditure

The following graph indicates the Municipality’s major revenue sources for the year under review:



The following graph indicates the Municipality’s major types of expenditure for the year under review:



4.3 Rates and General Services

DESCRIPTION	Actual 2014/15	Actual 2013/14	Variance	Adjusted Budget 2014/15	Variance
<b>Income</b>	356 071 287	411 819 163	-13.5%	369 929 455	-3.7%
<b>Expenditure</b>	392 047 924	360 038 677	8.9%	426 121 208	-8.0%
<b>Surplus/(deficit)</b>	<b>(35 976 636)</b>	<b>51 780 487</b>	<b>-169.5%</b>	<b>(56 191 753)</b>	<b>-36.0%</b>
<b>Surplus/(deficit) as % of total income</b>	-10.1%	12.6%		-15.2%	

Variance from 2013/14 Actual:

The deficit with regards to Rates and other General services amount to R 36.0 million for the 2014/15 financial year and the 2013/14 financial year's surplus was R 51.8 million, due to the actuarial gains of R74.5 million recognised.

Variance from 2014/15 Budget:

The total actual income is 3.7% less than the budgeted amount of R 369.9 million for the 2014/15 financial year. The expenditure is 8.0% less than the budgeted amount of R 426.1 million.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2014/15	Actual 2013/14	Variance	Adjusted Budget 2014/15	Variance
<b>Income</b>	345 365 584	310 298 423	11.3%	331 374 316	4.2%
<b>Expenditure</b>	260 572 140	238 725 926	9.2%	264 455 722	-1.5%
<b>Surplus/(deficit)</b>	<b>84 793 444</b>	<b>71 572 497</b>	<b>18.5%</b>	<b>66 918 594</b>	<b>26.7%</b>
<b>Surplus/(deficit) as % of total income</b>	24.6%	23.1%		20.2%	

Variance from 2013/14 Actual:

The Electricity service showed a surplus for both the 2013/14 and the 2014/15 financial years, with an increase of 18.5% between the two years. The surplus of R 84.8 million for the 2014/15 financial year represents a profit of 24.6%. A profit of 23.1% was realised in the 2013/14 financial year.

Variance from 2014/15 Budget:

The total actual income is 4.2% more than the budgeted amount of R 331.4 million for the 2014/15 financial year. The expenditure is 1.5% less than the budgeted amount of R 264.5 million.

The following table provides information on electricity distribution:

<b>ELECTRICITY DISTRIBUTION</b>	<b>2013/14 Financial year</b>	<b>2014/15 Financial year</b>
<b>Units purchased (kWh)</b>	284 653 360	293 410 192
<b>Purchase price per kWh</b>	66 cents	71 cents
<b>Units sold (kWh)</b>	254 558 799	265 165 635
<b>Free units</b>	8 362 243	8 662 089
<b>Units lost during distribution (kWh)</b>	21 732 318	19 582 468
<b>Percentage lost during distribution</b>	7.63%	6.67%
<b>Total cost per unit</b>	71.49 cents	74.99 cents
<b>Net income per unit</b>	R 1.00	R 1.06

4.4.2 Water

<b>DESCRIPTION</b>	<b>Actual 2014/15</b>	<b>Actual 2013/14</b>	<b>Variance</b>	<b>Adjusted Budget 2014/15</b>	<b>Variance</b>
<b>Income</b>	106 017 078	98 824 123	7.3%	121 753 827	-12.9%
<b>Expenditure</b>	71 161 455	71 262 280	-0.1%	73 216 895	-2.8%
<b>Surplus/(deficit)</b>	<b>34 855 624</b>	<b>27 561 843</b>	<b>26.5%</b>	<b>48 536 932</b>	<b>-28.2%</b>
<b>Surplus/(deficit) as % of total income</b>	32.9%	27.9%		39.9%	

Variance from 2013/14 Actual:

The Water service showed a surplus for both the 2013/14 and 2014/15 financial years. The surplus increased by 26.5% from the previous year. The surplus of R 34.9 million for the 2014/15 financial year represents a profit of 32.9%, whereas a profit of 27.9% was realised in the 2013/14 financial year.

Variance from 2014/15 Budget:

The total actual income is 12.9% less than the budgeted amount of R 121.8 million for the 2014/15 financial year, while the expenditure is 2.8% less than the budgeted amount of R 73.2 million.

The following provides information on water distribution:

<b>WATER DISTRIBUTION</b>	<b>2013/14 Financial year</b>	<b>2014/15 Financial year</b>
<i>Mega litres purified</i>	7 253	7 602
<i>Mega litres sold</i>	6 268	6 325
<i>Mega litres lost during distribution</i>	888	1 261
<i>Percentage lost during distribution</i>	12.24%	16.59%

## 5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R 121 509 581 and was financed as follows:

<b>SERVICE AREA</b>	<b>2014/15 Actuals</b>	<b>% of Total Capital Expenditure</b>
<i>Community services/facilities</i>	2 889 250	2.4%
<i>Electricity</i>	22 580 849	18.6%
<i>Housing</i>	13 305 486	11.0%
<i>Refuse</i>	3 523 061	2.9%
<i>Sanitation</i>	17 268 358	14.2%
<i>Streets and Storm water</i>	36 313 029	29.9%
<i>Water</i>	19 806 948	16.3%
<i>Other</i>	5 822 600	4.8%
<b>TOTAL</b>	<b>121 509 581</b>	<b>100.0%</b>

The capital expenditure was financed as follows:

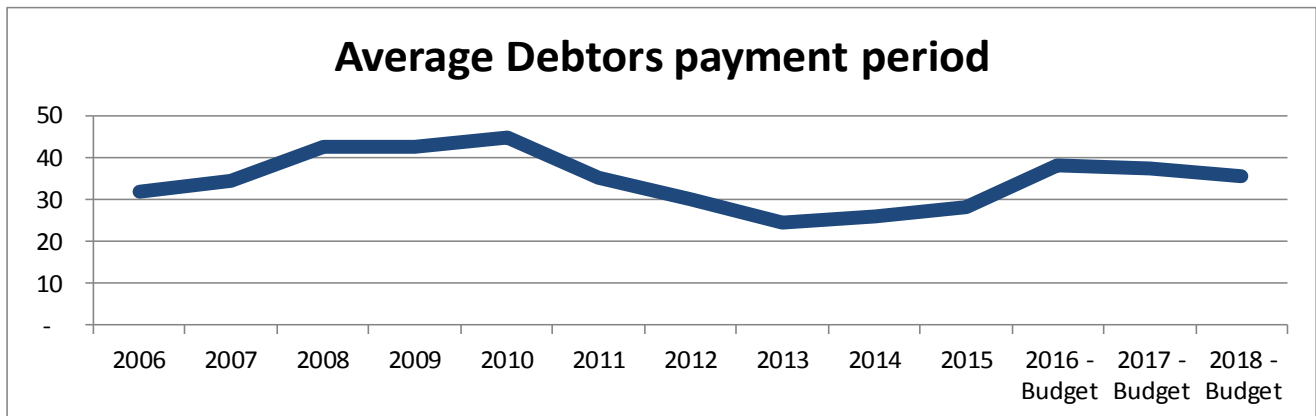
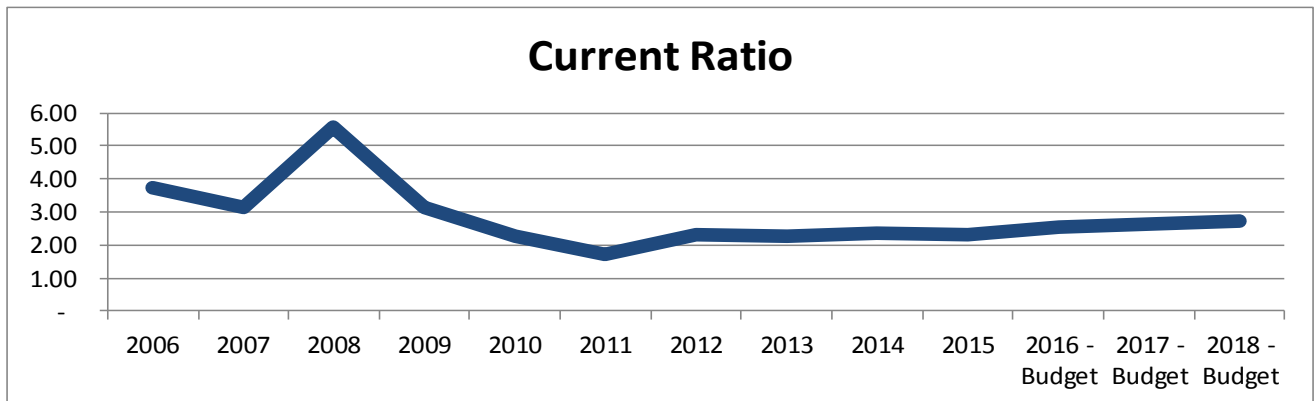
<b>SOURCE OF FINANCE</b>	<b>2014/15 Actuals</b>	<b>% of Total Capital Funding</b>
<i>Capital Replacement Reserve</i>	79 178 604	65.2%
<i>Grants and Subsidies</i>	39 209 298	32.3%
<i>Public contributions</i>	1 051 930	0.9%
<i>Other</i>	2 069 749	1.7%
<b>TOTAL</b>	<b>121 509 581</b>	<b>100.0%</b>

Property, Plant and Equipment is funded to a large extent from the Capital Replacement Reserve.

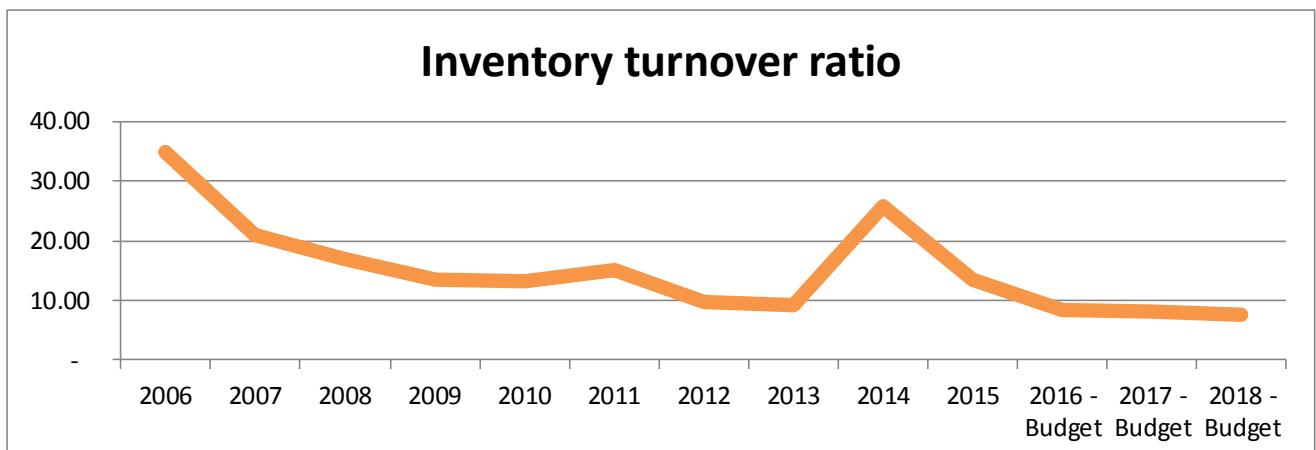
**6 FINANCIAL SUSTAINABILITY**

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 7 years information, the current year information and the 3 budget years' information:

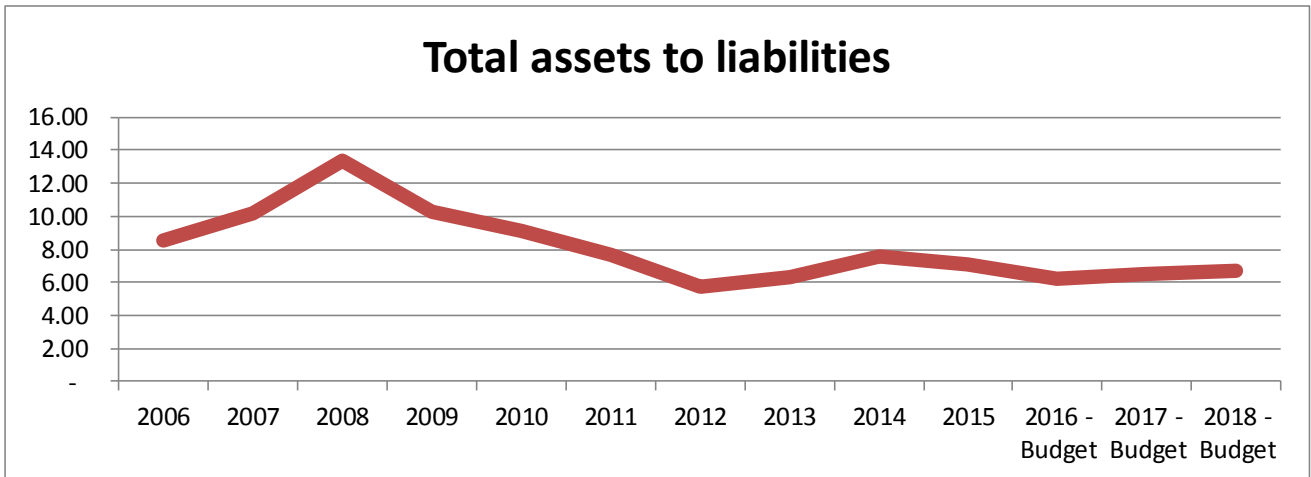
**LIQUIDITY MEASUREMENT RATIOS**



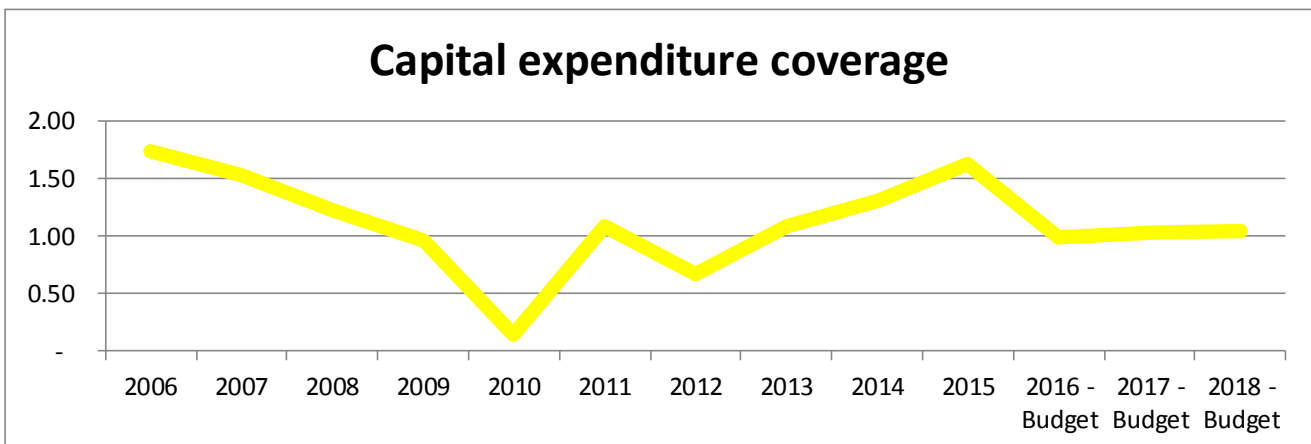
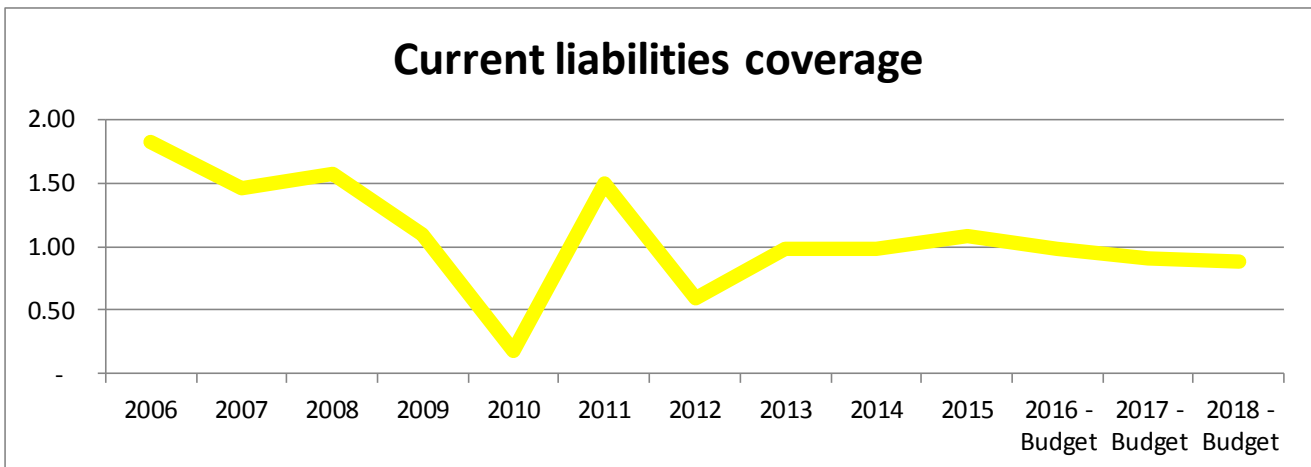
**ACTIVITY RATIOS**



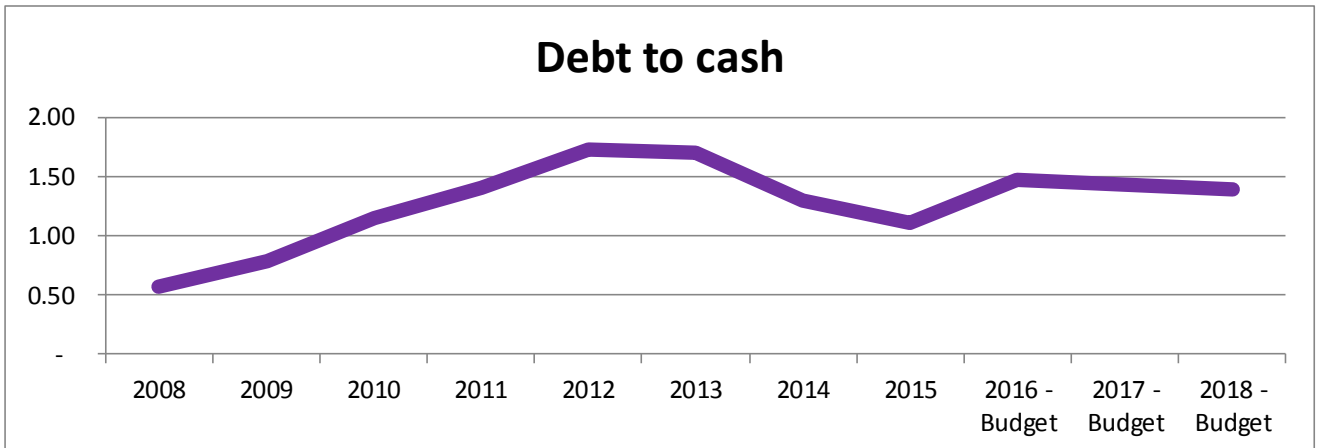
**SOLVENCY RATIOS**



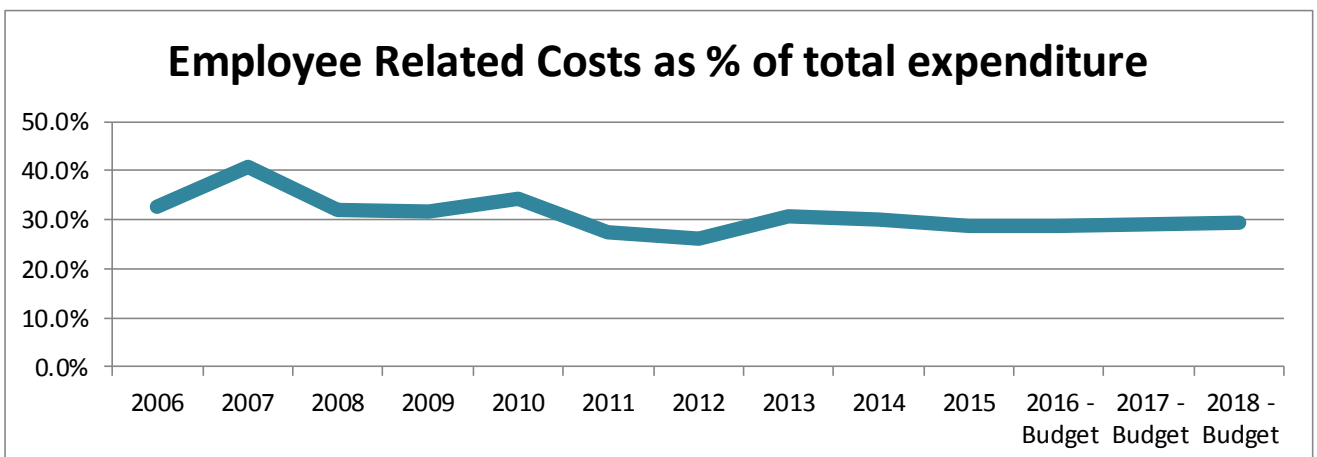
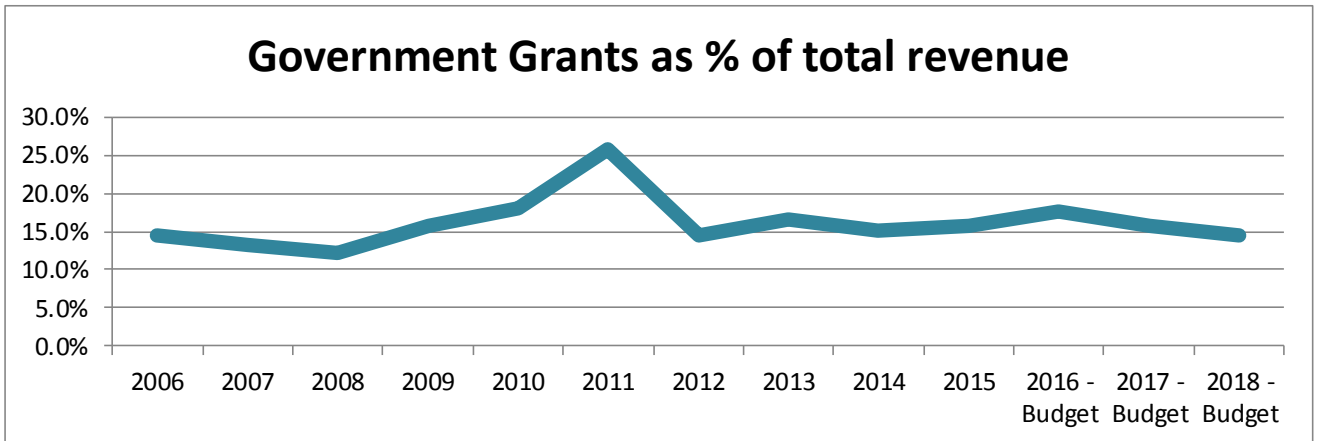
**CASH FLOW INDICATOR RATIOS**

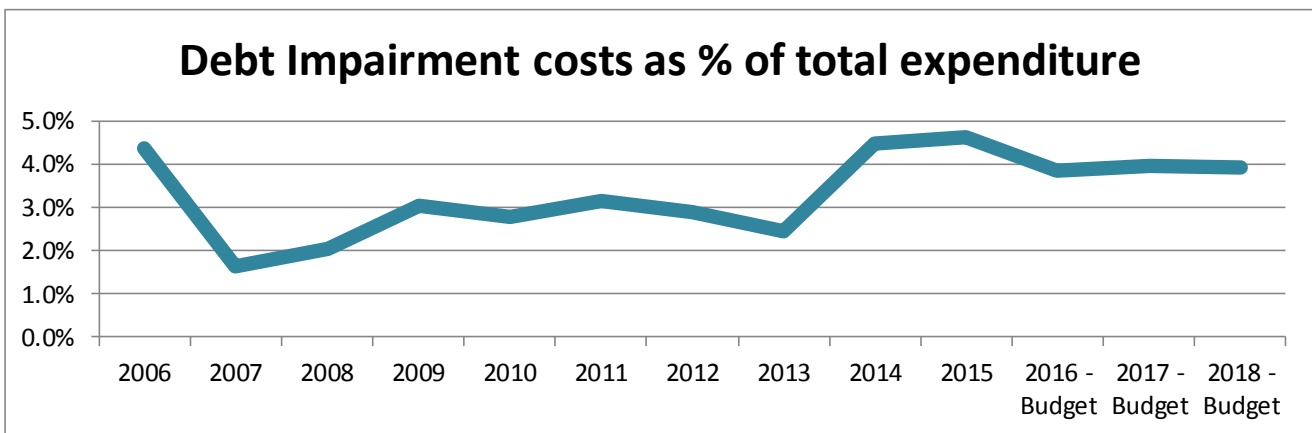
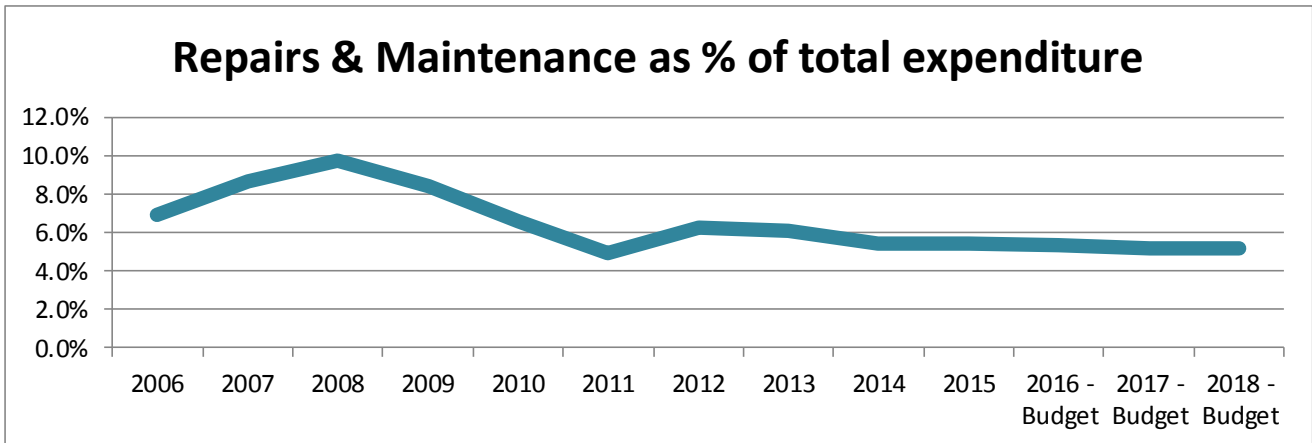


**DEBT RATIOS**



**INCOME & EXPENDITURE TRENDS**





## 7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2015 amounted to R 128 715 032 (R 65 233 610 as at 30 June 2014).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

**8 EXTERNAL LOANS, INVESTMENTS AND CASH**

On 30 June 2015 the outstanding external loans amounted to R 24 000 000 (R 26 000 000 in 2014). The municipality has repaid R 2 000 000 towards the loan of R 30 million taken up during the 2011/12 financial year.

The Municipality's cashbook showed a positive balance of R 29 135 673 (R 13 163 073 in 2014) and Petty Cash to the amount of R 18 960 (R 18 960 in 2014) on 30 June 2015. The external investments amounted to R 290 097 408 against the R 230 654 452 of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 25 of the Annual Financial Statements, as well as Appendix A.

**9 NON-CURRENT PROVISIONS**

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R 49 705 102 as at 30 June 2015 (R 47 734 754 as at 30 June 2014) and are made up as follows:

Rehabilitation of Landfill Sites	R 36 766 076
Clearing of Alien Vegetation	<u>R 12 939 026</u>
	<u>R 49 705 102</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

**10 LIQUIDITY REQUIREMENTS**

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

**Liquidity Requirement as per Liquidity Policy**

Financial Year End: 30 June 2015

**Liquidity Requirement Calculation [as stipulated in Paragraph 4.1.]**

All earmarked and/or conditional grants received but not yet utilised	R 33 929 193
Value of the provisions held in cash for the clearing of alien vegetation and the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years	R 49 705 102
Value of legally entrenched short term rights and benefits of employees related to Medical benefits & Retirement benefits	R 31 570 123
Unspent Loan Funds	R -
Funds held for agency services not yet performed	R 4 190 105
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash	R 129 465 571
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	R 4 393 927
1 months operational expenditure excluding non-cash items	R 22 258 779
Consumer Deposits	R 19 455 002
Other Deposits and Other Advance Payments:	
- Retentions	R 9 102 215
- Payments Received in Advance	R 23 154 382
- Other Deposits	R 8 027 385
Non-current Deposit: Pavilion	R 251 591
Commitments resulting from contracts concluded as part of Capex Programme, not reflected in operational budget	
<b>TOTAL LIQUIDITY REQUIREMENT</b>	<b>R 335 503 376</b>

**Actual available liquidity held [reference paragraph 4.2.]**

Bank Balance at e.g.:	
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
<b>Bank balance sub total</b>	R 29 154 633
95% of all other term investments with Banks	R 275 592 537
90% of Market value of all Bonds on the JSE that are held	R -
Consumer debtors (current – 60 days)	R 36 382 456
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	R -
- Payments received for agency functions not yet performed	R -
- The cash value of reserves held	R -
- Cash deposits held as part of loan covenants or ceded	R -
- Undrawn bank overdraft facility or committed liquidity lines available	R -
<b>TOTAL LIQUIDITY AVAILABLE</b>	<b>R 341 129 626</b>

**LIQUIDITY SURPLUS (SHORT FALL)**

**R 5 626 250**

**SURPLUS TO BE APPROPRIATED TO CAPITAL REPLACEMENT RESERVE**

**R 5 000 000**

(See Borrowing, Funds and Reserves Policy)

**11 EMPLOYEE BENEFITS**

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The non-current portion of the employee benefits liability amounted to R 96 664 000 as at 30 June 2015 (R 92 042 000 as at 30 June 2014) and is made up as follows:

Post-Employment Health Care Benefits	R 82 347 000
Ex-Gratia Gratuities	R 1 541 000
Long Service Awards	<u>R 12 776 000</u>
	<u>R 96 664 000</u>

Refer to Note 7 of the Annual Financial Statements for more detail.

**12 CURRENT LIABILITIES**

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). No indication is found that the Municipality would be unable to meet its obligations. Current Liabilities amounted to R 181 842 349 as at 30 June 2015 (R 151 599 120 as at 30 June 2014) and are made up as follows:

Consumer deposits	Note 9	R 19 455 002
Provisions	Note 10	R 1 240 936
Current portion of Employee benefits	Note 11	R 23 304 123
Payables from Exchange transactions	Note 12	R 100 053 016
Unspent conditional grants and receipts	Note 13	R 33 929 193
Operating Lease Liability	Note 27	R 1 053 023
Current portion of Finance Lease Liabilities	Note 4	R 687 361
Current portion of Long-term Liabilities	Note 5	<u>R 2 119 693</u>
		<u>R 181 842 349</u>

**13 CURRENT ASSETS**

Current Assets amounted to R 421 712 253 as at 30 June 2015 (R 356 222 011 as at 30 June 2014) and is made up as follows:

Inventory	Note 22	R 20 639 227
Trade receivables from Exchange	Note 23	R 64 589 350
Other receivables from Non-Exchange	Note 24	R 11 450 684
Current portion of long-term receivables	Note 20	R 404 057
VAT receivable	Note 14	R 5 183 947
Cash and Cash Equivalents	Note 26	R 319 252 041
Operating Lease Assets	Note 27	<u>R 192 947</u>
		<u>R 421 712 253</u>

**14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2014</i>	<i>As at 30 June 2015</i>	<i>Variance</i>
<b>Service debtors:</b>	<b>48 340 622</b>	<b>54 653 958</b>	<b>13.1%</b>
- Electricity	26 596 427	31 282 121	17.6%
- Water	12 167 821	12 892 851	6.0%
- Refuse	3 589 699	3 888 975	8.3%
- Sewerage	5 986 674	6 590 012	10.1%
<b>Debtpack collections</b>	<b>7 133</b>	<b>511 348</b>	<b>7068.7%</b>
<b>Land Sales</b>	<b>1 389</b>	<b>1 786</b>	<b>28.6%</b>
<b>Housing instalments</b>	<b>884 916</b>	<b>627 062</b>	<b>-29.1%</b>
<b>Housing rentals</b>	<b>211 880</b>	<b>226 376</b>	<b>6.8%</b>
<b>Other</b>	<b>5 623 426</b>	<b>8 568 819</b>	<b>52.4%</b>
<b>TOTAL</b>	<b>55 069 366</b>	<b>64 589 350</b>	<b>17.3%</b>

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2014</i>	<i>As at 30 June 2015</i>	<i>Variance</i>
<b>Rates</b>	<b>6 219 986</b>	<b>6 250 835</b>	<b>0.50%</b>
<b>Traffic Fines</b>	<b>1 055 995</b>	<b>827 385</b>	<b>-21.65%</b>
<b>Payments made in advance</b>	<b>2 037 168</b>	<b>2 337 719</b>	<b>14.75%</b>
<b>Other</b>	<b>1 677 747</b>	<b>2 034 744</b>	<b>21.28%</b>
<b>TOTAL</b>	<b>10 990 896</b>	<b>11 450 684</b>	<b>4.18%</b>

The Municipality has during the financial year written of bad debts to the amount of R 10 209 565.

**EXPRESSION OF APPRECIATION**

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.

  
**MK BOTHA**  
**CHIEF FINANCIAL OFFICER**

Date: 30 November 2015

## **REPORT OF THE AUDITOR-GENERAL**

# **Report of the auditor-general to the Western Cape Provincial Parliament and the council on Mossel Bay Municipality**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Mossel Bay Municipality set out on pages 27 to 126, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mossel Bay Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

**Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Significant uncertainties

8. With reference to note 55.1 to the financial statements, the municipality is at risk regarding the possible liability claims relating to contractual disputes from third parties. The amounts in this regard were uncertain at year-end and no provision for any liability that may result has been made in the financial statements.

## Restatement of corresponding figures

9. As disclosed in notes 43 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of a change in accounting policy where GRAP 100 was incorporated into the financial statements.
10. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of an error discovered during 30 June 2015 in the financial statements of the Mossel Bay Municipality at, and for the year ended 30 June 2014.

## Material impairments

11. As disclosed in note 22 to the financial statements, an impairment of 30,3% (2013-14: 28,9%) to the amount of R28,1 million (2013-14: R22,3 million) was provided for on receivables from exchange transactions as a result of the impairment of irrecoverable debtors.

**Additional matters**

12. I draw attention to the following matters below. My opinion is not modified in respect of these matters.

## Unaudited supplementary schedules

13. The supplementary information set out on pages 127 to 130 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

14. In terms of section 125(2)(e) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## Report on other legal and regularity requirements

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report the following findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas (KPA's) presented in the annual performance report of the municipality for the year ended 30 June 2015:

- KPA 1: Development of new services and infrastructure on pages 188 to 195
- KPA 3: Spatial development and environment on pages 184 to 186

17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

18. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

### **Usefulness and Reliability of reported performance information**

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives as stated in paragraph 16 of the audit report

### **Additional matter**

21. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

#### Achievement of planned targets

22. Refer to the annual performance report on pages 184 to 195 for information on the achievement of planned targets for the year.

**Compliance with legislation**

23. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**Internal control**

24. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

**Other Reports**

**Investigations**

25. The following matter is in the process of being investigated:

26. An allegation is being investigated where one municipal official has been accused of collusion with a contractor to fix potholes and municipal goods and equipment was possibly used.

27. The following matters have been concluded:

28. A consultant evaluated tenders, but the municipality was not informed of possible collusion amongst tenderers. The investigation was concluded during November 2015 resulting in a possible R2.3 million of irregular expenditure being incurred, which was disclosed in the financial statements.

29. Three employees were possibly involved in rent subsidy fraud. Outcome of investigation: Two employees resigned in terms of clause 9.1 of the Disciplinary Code. One employee was formally dismissed.



Cape Town

30 November 2015



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

**STATEMENT OF FINANCIAL POSITION**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Note	2015 R	Restated 2014 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>2 154 953 684</b>	<b>2 071 281 253</b>
Housing development fund	2	750 539	722 426
Reserves	3	128 715 032	65 233 610
Capital replacement reserve		128 715 032	65 233 610
Accumulated surplus		2 025 488 113	2 005 325 217
<b>Non-current liabilities</b>		<b>169 747 003</b>	<b>165 745 650</b>
Employee benefits	7	96 664 000	92 042 000
Non-current provisions	6	49 705 102	47 734 754
Finance Lease liability	4	782 446	1 253 609
Other Long-term liabilities	5	22 343 864	24 472 536
Non-current deposits	8	251 591	242 751
<b>Current liabilities</b>		<b>181 842 349</b>	<b>151 599 120</b>
Consumer deposits	9	19 455 002	17 379 449
Provisions	10	1 240 936	1 534 846
Current Employee benefits	11	23 304 123	22 057 451
Payables from Exchange transactions	12	100 053 016	91 055 631
Unspent conditional grants and receipts	13	33 929 193	15 643 163
Operating Lease Liability	26	1 053 023	839 627
Current portion of Finance lease liability	4	687 361	996 452
Current portion of other long-term liabilities	5	2 119 693	2 092 500
<b>Total Net Assets and Liabilities</b>		<b>2 506 543 036</b>	<b>2 388 626 023</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>2 084 830 783</b>	<b>2 032 404 013</b>
Property, plant and equipment	15	1 749 307 916	1 688 104 690
Biological Assets	16	-	1 961 495
Intangible Assets	17	61 504	82 336
Investment Property	18	330 888 400	337 167 605
Heritage assets	19	4 225 599	4 225 599
Long-term receivables	20	347 364	862 288
<b>Current assets</b>		<b>421 712 253</b>	<b>356 222 011</b>
Inventory	21	20 639 227	36 153 747
Receivables from Exchange transactions	22	64 589 350	55 069 366
Other receivables from non-exchange transactions	23	11 450 684	10 990 896
Current portion of long-term receivables	20	404 057	422 191
Unpaid conditional grants and receipts	13	-	4 769 729
VAT Receivable	14	5 183 947	4 806 948
Cash and Cash equivalents	25	319 252 041	243 836 485
Operating Lease Assets	26	192 947	172 649
<b>Total Assets</b>		<b>2 506 543 036</b>	<b>2 388 626 023</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Budget			Actual	
2014 R	2015 R	Note	2015 R	Restated 2014 R
<b>REVENUE</b>				
<b>257 579 830</b>	<b>302 569 891</b>		<b>245 535 946</b>	<b>317 134 664</b>
83 293 424	88 752 397		88 363 481	82 522 290
<u>83 293 424</u>	<u>88 752 397</u>		<u>88 363 481</u>	<u>82 522 290</u>
156 971 406	187 190 914		130 646 095	142 993 809
<u>142 092 027</u>	<u>185 325 444</u>		<u>126 449 665</u>	<u>123 506 747</u>
<u>14 879 379</u>	<u>1 865 470</u>		<u>4 196 430</u>	<u>19 487 061</u>
17 315 000	26 626 580		26 526 371	91 618 565
<u>17 315 000</u>	<u>26 126 580</u>		<u>24 050 681</u>	<u>17 142 428</u>
-	500 000		<u>2 475 690</u>	<u>74 476 137</u>
<b>499 368 751</b>	<b>520 487 707</b>		<b>561 918 003</b>	<b>503 807 046</b>
1 650 000	1 550 000		1 660 718	1 423 868
413 181 877	447 248 755	28	474 113 979	429 921 691
11 686 256	15 208 530		13 952 132	11 485 535
13 330 000	14 226 200		20 167 960	13 968 480
242 000	187 310		197 372	204 014
4 842 500	5 280 220		5 644 847	5 204 831
1 036 000	112 000		170 134	91 425
2 682 200	500 000	41	6 140 394	9 941 387
<u>50 717 918</u>	<u>36 174 692</u>	30	<u>39 870 468</u>	<u>31 565 814</u>
<b>756 948 581</b>	<b>823 057 598</b>		<b>807 453 950</b>	<b>820 941 709</b>
<b>EXPENDITURE</b>				
208 539 870	219 594 983	32	209 058 666	201 346 005
8 731 246	9 392 434	33	9 193 967	8 681 774
27 763 252	41 130 000	34	33 499 717	29 929 681
5 437 000	6 341 833		4 988 497	5 159 878
52 134 503	60 437 986	35	58 384 363	55 944 809
19 288	19 099	35	25 522	19 429
1 500 000	1 500 000		-	2 810 566
39 369 844	42 471 697		38 956 153	36 202 380
3 101 468	2 818 830	36	2 776 215	2 678 808
206 601 685	220 718 820	37	217 438 641	195 784 341
37 577 624	40 909 135	38	38 750 701	38 053 369
1 159 250	1 177 428	39	1 128 893	1 004 781
132 790 865	114 527 680	40	91 658 629	71 910 011
	-		1 363 370	-
403 000	1 253 900		4 481 180	841 081
1 500 000	1 500 000	41	12 077 007	19 659 971
<b>726 628 895</b>	<b>763 793 825</b>		<b>723 781 519</b>	<b>670 026 882</b>
<b>30 319 686</b>	<b>59 263 773</b>		<b>83 672 431</b>	<b>150 914 827</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>				

**STATEMENT OF CHANGES IN NET ASSETS**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Housing Development Fund</b>	<b>Capital Replacement Reserve</b>	<b>Accumulated Surplus / (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2014</b>				
Balance at 1 July 2013	800 765	59 783 414	1 617 317 380	1 677 901 559
Prior Year Adjustments (Note 42)			242 464 867	242 464 867
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
<b>Restated Balance at 1 July 2013</b>	<b>800 765</b>	<b>59 783 414</b>	<b>1 859 782 247</b>	<b>1 920 366 426</b>
Surplus/(deficit) for the year			150 914 827	150 914 827
Transfer to CRR		72 776 385	(72 776 385)	-
Contribution from CRR - purchase PPE		(67 326 189)	67 326 189	-
Transfer to Housing Development Fund	26 720		(26 720)	-
Transfer from Housing Development Fund	(105 060)		105 060	-
<b>Balance at 30 June 2014</b>	<b>722 426</b>	<b>65 233 610</b>	<b>2 005 325 217</b>	<b>2 071 281 253</b>
<b>2015</b>				
Previous Year Adjustments (Note 42)			-	-
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
<b>Restated balance at beginning of the year</b>	<b>722 426</b>	<b>65 233 610</b>	<b>2 005 325 217</b>	<b>2 071 281 253</b>
Surplus/(deficit) for the year			83 672 431	83 672 431
Transfer to CRR		142 660 026	(142 660 026)	-
Contribution from CRR - purchase PPE		(79 178 604)	79 178 604	-
Transfer to Housing Development Fund	28 113		(28 113)	-
Transfer from Housing Development Fund	-		-	-
<b>Balance at 30 June 2015</b>	<b>750 539</b>	<b>128 715 032</b>	<b>2 025 488 113</b>	<b>2 154 953 684</b>

Note: Previous year adjustments (Note 42) are reflected in the surplus of the 2013/14 financial year. Prior year adjustments are reflected in the statement above.

**CASH FLOW STATEMENT**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	Restated 2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<u>Receipts:</u>		772 917 389	724 278 664
Ratepayers		531 236 526	511 849 333
Government - Operating		102 448 882	86 732 793
Government - Capital		47 446 310	44 539 312
Other		91 785 671	81 157 226
<u>Payments:</u>		593 419 580	587 438 080
Suppliers		293 576 807	307 134 634
Employees		196 637 424	174 352 756
Other		103 205 348	105 950 690
Cash generated from/(utilised in) operations	47	179 497 809	136 840 584
Interest received		20 365 332	14 172 494
Interest paid	36	(2 776 215)	(2 678 808)
<b>Net cash from operating activities</b>		<b>197 086 926</b>	<b>148 334 270</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Capital Assets		(121 509 581)	(114 263 394)
Proceeds on de-recognition of Capital Assets		669 207	371 290
(Increase)/decrease in long-term receivables	20	171 477	264 248
<b>Net cash from investing activities</b>		<b>(120 668 897)</b>	<b>(113 627 857)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in consumer deposits	9	2 075 554	2 914 950
Proceeds/(repayment) of finance lease liability	4	( 976 547)	( 75 989)
Proceeds/(repayment) of other long-term liabilities	5	(2 101 479)	(2 008 391)
<b>Net cash from financing activities</b>		<b>(1 002 472)</b>	<b>830 570</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>75 415 557</b>	<b>35 536 983</b>
Cash and cash equivalents at the beginning of the year		243 836 485	208 299 502
Cash and cash equivalents at the end of the year	25	319 252 041	243 836 485

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

The classification basis on which the annual budget and the annual financial statements were compiled is different. The annual financial statements are classified in terms of GRAP, while the annual budget is classified in terms of National Treasury guidelines. Both are compiled using the accrual basis and the reporting period is the same.

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	Note	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net assets</b>					
		<b>2 154 953 684</b>	<b>2 100 961 831</b>	<b>53 991 853</b>	
Housing development fund		750 539	-	750 539	Project that should have been funded from this fund was not approved by the Department of Human Settlements. New project approved, which will be fully spent in the 15/16 financial year.
Reserves	2	128 715 032	78 395 844	50 319 188	
Capital replacement reserve	3	128 715 032	78 395 844	50 319 188	Additional contributions made to the CRR in terms of Council approved Long term financial plan and the Liquidity policy. Prior period corrections not budgeted for. For these corrections refer to Note 42 of the Annual Financial Statements.
Accumulated surplus		2 025 488 113	2 022 565 987	2 922 126	
<b>Non-current liabilities</b>					
		<b>169 747 003</b>	<b>177 831 197</b>	<b>(8 084 194)</b>	
Employee benefits	7	96 664 000	107 676 480	(11 012 480)	Budgeted for a bigger contribution towards Employee benefits in line with the previous year actuarial report.
Non-current provisions	6	49 705 102	47 134 754	2 570 348	Provisions are made in line with reports from professionals.
Finance Lease liability	4	782 446	637 427	145 019	
Other Long-term liabilities	5	22 343 864	22 132 536	211 328	
Non-current deposits	8	251 591	250 000	1 591	
<b>Current liabilities</b>					
		<b>181 842 349</b>	<b>144 811 985</b>	<b>37 030 363</b>	
Consumer deposits		19 455 002	18 179 449	1 275 553	Increase in consumer deposits due to new deposits implemented for single phase business meters on electricity and normal deposit increases.
Provisions	9	1 240 936	1 192 297	48 639	
Current Employee benefits	10	23 304 123	24 000 000	( 695 877)	
Payables from Exchange transactions	11	100 053 016	95 029 218	5 023 798	Land sales received in advance increased due to property not yet transferred.
Unspent conditional grants and receipts	12	33 929 193	-	33 929 193	Budgeted for no grants to be unspent at year-end. A request was put to National and Provincial Treasury for the funds to be rolled-over to the next financial year.
VAT Payable	13	-	-	-	
Cash and cash equivalents	14	-	2 292 442	(2 292 442)	A positive cash flow balance realised at year-end.
Operating Lease Liability	25	-	1 000 000	53 023	
Current portion of Finance lease liability	26	1 053 023	600 000	87 361	
Current portion of other long-term liabilities	4	687 361	2 518 579	( 398 886)	
	5	2 119 693			
<b>Total Net Assets and Liabilities</b>		<b>2 506 543 036</b>	<b>2 423 605 013</b>	<b>82 938 023</b>	-

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)**

	Note	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>2 084 830 783      2 071 432 030      13 398 753</b>					
Property, plant and equipment		1 749 307 916	1 719 504 780	29 803 136	Various prior year corrections were processed in order to ensure completeness of PPE. Prior period corrections not budgeted for. For these corrections refer to Note 42 of the Annual Financial Statements.
	15				
Biological Assets		-	1 961 495	(1 961 495)	The trees of Pine grove plantation, which was located on farms 25 and 46 (Great brak river), were harvested during the financial year. Council decided rather to lease the property than to re-plant
	16				
Intangible Assets		61 504	32 421	29 083	
	17				
Investment Property		330 888 400	344 965 447	(14 077 047)	A fair value adjustment of R5.9 million realised for the year and corrections was made to the prior year fair value adjustment due to the unbundling of building and site assets.
	18				
Heritage Assets		4 225 599	4 225 599	0	
	19				
Long-term receivables		347 364	742 288	( 394 924)	
	20				
<b>Current assets</b>					
<b>421 712 253      352 172 983      69 539 270</b>					
Inventory		20 639 227	35 653 747	(15 014 520)	Budget was increased during the year to make provision for Housing topstructures not transferred to the relevant stakeholder. More houses transferred than budgeted for. Budgeted provision for debt impairment at year end did not realise due to collection rates.
	21				
Receivables from Exchange transactions		64 589 350	55 798 014	8 791 336	Impairment of Traffic fine debtors increased from R12 million to R29 million at year-end.
	22				
Other receivables from non-exchange transactions		11 450 684	24 494 579	(13 043 895)	
	23				
Current portion of long-term receivables		404 057	392 191	11 866	
	20				
VAT Receivable		5 183 947	5 000 000	183 947	
	14				
Cash and Cash equivalents		319 252 041	230 654 452	88 597 589	Result of positive cash flow due to improved performance in operating activities. Mainly due to unspent grants and savings on expenditure.
	25				
Operating Lease Assets		192 947	180 000	12 947	
	26				
<b>Total Assets</b>		<b>2 506 543 036</b>	<b>2 423 605 013</b>	<b>82 938 023</b>	-

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**COMPARISON OF APPROVED AND FINAL BUDGET**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
<b>NET ASSETS AND LIABILITIES</b>				
<b>Net assets</b>	<b>2 100 961 831</b>	-	<b>2 100 961 831</b>	
Housing development fund	-	-	-	No adjustments were made to the Council Approved Statement of Financial Position.
Reserves	78 395 844	-	78 395 844	
Capital replacement reserve	78 395 844	-	78 395 844	
Accumulated surplus	2 022 565 987	-	2 022 565 987	
<b>Non-current liabilities</b>	<b>177 831 197</b>	-	<b>177 831 197</b>	
Employee benefits	107 676 480	-	107 676 480	
Non-current provisions	47 134 754	-	47 134 754	
Finance Lease liability	637 427	-	637 427	
Other Long-term liabilities	22 132 536	-	22 132 536	
Non-current deposits	250 000	-	250 000	
<b>Current liabilities</b>	<b>144 811 985</b>	-	<b>144 811 985</b>	
Consumer deposits	18 179 449	-	18 179 449	
Provisions	1 192 297	-	1 192 297	
Current Employee benefits	24 000 000	-	24 000 000	
Payables from Exchange transactions	95 029 218	-	95 029 218	
VAT Payable	-	-	-	
Cash and cash equivalents	2 292 442.03	-	2 292 442.03	
Operating Lease Liability	1 000 000	-	1 000 000	
Current portion of Finance lease liability	600 000	-	600 000	
Current portion of other long-term liabilities	2 518 579	-	2 518 579	
<b>Total Net Assets and Liabilities</b>	<b>2 423 605 013</b>	-	<b>2 423 605 013</b>	

COMPARISON OF APPROVED AND FINAL BUDGET (Continued)

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material variances
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>2 071 432 030</b>	-	<b>2071 432 030</b>	
Property, plant and equipment	1 719 504 780	-	1719 504 780	No adjustments were made to the Council Approved Statement of Financial Position.
Biological Assets	1 961 495	-	1 961 495	
Intangible Assets	32 421	-	32 421	
Investment Property	344 965 447	-	344 965 447	
Heritage assets	4 225 599	-	4 225 599	
Long-term receivables	742 288	-	742 288	
<b>Current assets</b>	<b>352 172 983</b>	-	<b>352 172 983</b>	
Inventory	35 653 747	-	35 653 747	
Receivables from Exchange transactions	55 798 014	-	55 798 014	
Other receivables from non-exchange transactions	24 494 579	-	24 494 579	
Current portion of long-term receivables	392 191	-	392 191	
VAT Receivable	5 000 000	-	5 000 000	
Cash and Cash equivalents	230 654 452	-	230 654 452	
Operating Lease Assets	180 000	-	180 000	
<b>Total Assets</b>	<b><u>2 423 605 013</u></b>	<b><u>-</u></b>	<b><u>2423 605 013</u></b>	-

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	Notes	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>					
<b>Taxation revenue</b>					
Property rates	27	88 363 481	88 752 397	( 388 916)	
<b>Transfer revenue</b>					
Government grants and subsidies	29	126 449 665	185 325 444	(58 875 779)	Underspending of grant funds (Housing, Disaster recovery funds received late in the year). These funds are requested to be rolled-over to the next financial year.
Public contributions, donated and contributed PPE	31	4 196 430	1 865 470	2 330 960	
<b>Other non-exchange revenue</b>					
Fines		24 050 681	26 126 580	(2 075 899)	Over estimation of the value and number of fines issued.
Actuarial gains		2 475 690	500 000	1 975 690	These gains are non-cash transactions which are recognised after an Actuarial valuation of Employee benefits has been performed at year-end. The gain is mainly due to changes in membership.
<b>Revenue from Exchange Transactions</b>					
Property rates-penalties imposed & collection charges		1 660 718	1 550 000	110 718	Due to conservative budgeting for Electricity charges to be received due to Eskom power shortages. Sewerage and refuse removal revenue foregone overbudgeted.
Service charges	28	474 113 979	447 248 755	26 865 224	This is mainly due to projected income from Camping fees not realising.
Rental of facilities and equipment		13 952 132	15 208 530	(1 256 398)	Better cash flow due to savings on expenditure led to better investment opportunities, which in turn led to an increase in interest earned.
Interest earned - external investments		20 167 960	14 226 200	5 941 760	
Interest earned - outstanding debtors		197 372	187 310	10 062	
Licences and permits		5 644 847	5 280 220	364 627	
Gain on de-recognition of Property, Plant & Equipment		170 134	112 000	58 134	
Impairment / Fair Value adjustment of Investment Property and Biological assets	41	6 140 394	500 000	5 640 394	First time split of fair value adjustments between gains and losses.
Other income	30	39 870 468	36 174 692	3 695 776	External services contributions more than what was anticipated.
<b>Total Revenue</b>		<b>807 453 950</b>	<b>823 057 598</b>	<b>(15 603 648)</b>	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	Notes	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>EXPENDITURE</b>					
Employee related costs	32	209 058 666	219 594 983	(10 536 317)	Due to a lower than expected contribution to Employee benefits and strict control over the filling of new and vacant positions during the year.
Remuneration of Councillors	33	9 193 967	9 392 434	( 198 467)	
Debt Impairment Costs	34	33 499 717	41 130 000	(7 630 283)	Contribution towards impairment of Traffic fines debtors less than anticipated.
Collection costs		4 988 497	6 341 833	(1 353 336)	
Depreciation	35	58 384 363	60 437 986	(2 053 623)	Budgeted for all under construction assets to be finalised, which did not materialise.
Amortisation - Intangible Assets		25 522	19 099	6 423	
Actuarial losses		-	1 500 000	(1 500 000)	Actuarial gains recognised at year-end due to membership changes.
Repairs and maintenance		38 956 153	42 471 697	(3 515 544)	Mainly due to the underspending on Housing emergency kits and repairs on vehicles, pumps and machinery.
Finance costs	36	2 776 215	2 818 830	( 42 615)	
Bulk purchases	37	217 438 641	220 718 820	(3 280 179)	Due to a reduction in line losses, better revenue management systems and an improvement in the load factor.
Contracted services	38	38 750 701	40 909 135	(2 158 434)	The variance is mainly due to savings on security services, account printing and cut of grass.
Grants and subsidies paid	39	1 128 893	1 177 428	( 48 535)	
General expenses	40	91 658 629	114 527 680	(22 869 051)	Due to unspent Housing Topstructure funds, savings on purchase of chemicals and contract work.
Impairment on Assets		1 363 370	-	1 363 370	Impairment information not available with Adjustment budget compilation.
Loss on de-recognition of Property, Plant & Equipment		4 481 180	1 253 900	3 227 280	Includes the carrying value of harvested biological assets, not budgeted for.
Impairment / Fair Value adjustment of Investment Property and Biological assets	41	12 077 007	1 500 000	10 577 007	First time split of fair value adjustments between gains and losses.
<b>Total Expenditure</b>		<b>723 781 519</b>	<b>763 793 825</b>	<b>(40 012 306)</b>	
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>83 672 431</b>	<b>59 263 773</b>	<b>24 408 658</b>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF APPROVED AND FINAL BUDGET**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
<b>REVENUE</b>				
<b><u>Revenue from Non-exchange Transactions</u></b>	<b>302 569 891</b>	-	<b>302 569 891</b>	
<b><u>Taxation revenue</u></b>	<b>88 752 397</b>	-	<b>88 752 397</b>	No adjustments were made to the Council Approved budget for Revenue.
Property rates	88 752 397	-	88 752 397	
<b><u>Transfer revenue</u></b>	<b>187 190 914</b>	-	<b>187 190 914</b>	
Government grants and subsidies	185 325 444	-	185 325 444	
Public contributions, donated and contributed PPE	1 865 470	-	1 865 470	
<b><u>Other non-exchange revenue</u></b>	<b>26 626 580</b>	-	<b>26 626 580</b>	
Fines	26 126 580	-	26 126 580	
Actuarial gains	500 000	-	500 000	
<b><u>Revenue from Exchange Transactions</u></b>	<b>520 487 707</b>	-	<b>520 487 707</b>	
Property rates-penalties imposed & collection charges	1 550 000	-	1 550 000	
Service charges	447 248 755	-	447 248 755	
Rental of facilities and equipment	15 208 530	-	15 208 530	
Interest earned - external investments	14 226 200	-	14 226 200	
Interest earned - outstanding debtors	187 310	-	187 310	
Licences and permits	5 280 220	-	5 280 220	
Gain on de-recognition of Property, Plant & Equipment	112 000	-	112 000	
Impairment / Fair Value adjustment of Investment Property and Biological assets	500 000	-	500 000	
Other income	36 174 692	-	36 174 692	
<b>Total Revenue</b>	<b>823 057 598</b>	-	<b>823 057 598</b>	

**COMPARISON OF APPROVED AND FINAL BUDGET (Continued)**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material variances
<b>EXPENDITURE</b>				
Employee related costs	219 542 383	52 600	219 594 983	All adjustments made to the Expenditure budget were due to virements approved by Council between expenditure accounts. These adjustments has a zero nett effect on the total budget Approved by Council.
Remuneration of Councillors	9 392 434	-	9 392 434	
Debt Impairment Costs	41 130 000	-	41 130 000	
Collection costs	6 357 833	( 16 000)	6 341 833	
Depreciation	60 437 986	-	60 437 986	
Amortisation - Intangible Assets	19 099	-	19 099	
Actuarial losses	1 500 000	-	1 500 000	
Repairs and maintenance	43 644 074	(1 172 377)	42 471 697	
Finance costs	2 818 830	-	2 818 830	
Bulk purchases	220 718 820	-	220 718 820	
Contracted services	39 961 927	947 208	40 909 135	
Grants and subsidies paid	1 177 428	-	1 177 428	
General expenses	114 339 111	188 569	114 527 680	
Loss on de-recognition of Property, Plant & Equipment	1 253 900	-	1 253 900	
Impairment / Fair Value adjustment of Investment Property and Biological assets	1 500 000	-	1 500 000	
<b>Total Expenditure</b>	<u><u>763 793 825</u></u>	<u><u>-</u></u>	<u><u>763 793 825</u></u>	
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<u><u>59 263 773</u></u>	<u><u>-</u></u>	<u><u>59 263 773</u></u>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	Notes	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<u>Receipts:</u>		772 917 389	755 973 943	16 943 446	
Ratepayers		531 236 526	501 190 881	30 045 645	Due to conservative budgeting for Electricity charges to be received due to Eskom power shortages.
Government - Operating		102 448 882	117 428 201	(14 979 319)	Budgeted Housing grant funds for Kwa PHP, Joe Slovo and Wolwedans topstructure projects not received as budgeted for.
Government - Capital		47 446 310	50 724 207	(3 277 897)	Budgeted Housing grant funds for Asazani and Herbertsdale infrastructure projects not received as budgeted for.
Other		91 785 671	86 630 654	5 155 017	External services contributions more than what was anticipated.
<u>Payments:</u>		593 419 580	633 985 813	(40 566 233)	
Suppliers		293 576 807	301 914 035	(8 337 228)	Due to savings on contracted services, purchase of chemicals, bulk purchases and contract work.
Employees		196 637 424	205 989 585	(9 352 161)	Due to a lower than expected contribution to Employee benefits and strict control over the filling of new and vacant positions during the year.
Other		103 205 348	126 082 193	(22 876 845)	Mainly due to unspent Housing Topstructure funds.
Cash generated from/(utilised in) operations	47	179 497 809	121 988 130	57 509 679	
Interest received		20 365 332	14 413 510	5 951 822	Better cash flow due to savings on expenditure led to better investment opportunities, which in turn led to an increase in interest earned.
Interest paid	36	(2 776 215)	(2 811 547)	35 332	
<b>Net cash from operating activities</b>		<b>197 086 926</b>	<b>133 590 093</b>	<b>63 496 833</b>	

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)**

	Notes	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Capital Assets		(121 509 581)	(147 548 352)	26 038 771	Refer to note 46 of the Annual Financial Statements for detail on underspending of Capital budget per vote.
Proceeds on de-recognition of Capital Assets	20	669 207	300 000	369 207	
(Increase)/decrease in long-term receivables		171 477	150 000	21 477	
<b>Net cash from investing activities</b>		<b>(120 668 897)</b>	<b>(147 098 352)</b>	<b>26 429 455</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in consumer deposits	9	2 075 554	800 000	1 275 554	Increase in consumer deposits due to new deposits implemented for single phase business meters on electricity and normal deposit increases.
Proceeds/(repayment) of finance lease liability	4	( 976 547)	( 600 000)	( 376 547)	
Proceeds/(repayment) of other long-term liabilities	5	(2 101 479)	(2 166 216)	64 737	
<b>Net cash from financing activities</b>		<b>(1 002 472)</b>	<b>(1 966 216)</b>	<b>963 743</b>	
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>75 415 557</b>	<b>(15 474 475)</b>	<b>90 890 032</b>	
Cash and cash equivalents at the beginning of the year		243 836 485	243 836 485	( 0)	
Cash and cash equivalents at the end of the year	25	319 252 041	228 362 010	90 890 031	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF APPROVED AND FINAL BUDGET**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<u>Receipts:</u>	755 973 943	-	755 973 943	
Ratepayers	501 190 881	-	501 190 881	No adjustments were made to the Council Approved Cash flow Statement.
Government - Operating	117 428 201	-	117 428 201	
Government - Capital	50 724 207	-	50 724 207	
Other	86 630 654	-	86 630 654	
<u>Payments:</u>	633 985 813	-	633 985 813	
Suppliers	301 914 035	-	301 914 035	
Employees	205 989 585	-	205 989 585	
Other	126 082 193	-	126 082 193	
Cash generated from/(utilised in) operations	121 988 130	-	121 988 130	
Interest received	14 413 510	-	14 413 510	
Interest paid	(2 811 547)	-	(2 811 547)	
<b>Net cash from operating activities</b>	<b>133 590 093</b>	<b>-</b>	<b>133 590 093</b>	

**COMPARISON OF APPROVED AND FINAL BUDGET (Continued)**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Capital Assets	(147 548 352)	-	(147 548 352)	No adjustments were made to the Council Approved Cash flow Statement.
Proceeds on de-recognition of Capital Assets	300 000	-	300 000	
(Increase)/decrease in long-term receivables	150 000	-	150 000	
<b>Net cash from investing activities</b>	<b><u>(147 098 352)</u></b>	<b><u>-</u></b>	<b><u>(147 098 352)</u></b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in consumer deposits	800 000	-	800 000	
Proceeds/(repayment) of finance lease liability	( 600 000)	-	( 600 000)	
Proceeds/(repayment) of other long-term liabilities	(2 166 216)	-	(2 166 216)	
<b>Net cash from financing activities</b>	<b><u>(1 966 216)</u></b>	<b><u>-</u></b>	<b><u>(1 966 216)</u></b>	
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>(15 474 475)</u></b>	<b><u>-</u></b>	<b><u>(15 474 475)</u></b>	
Cash and cash equivalents at the beginning of the year	243 836 485	-	243 836 485	
Cash and cash equivalents at the end of the year	228 362 010	-	228 362 010	

## Notes to the Annual Financial Statements

### Note 1: Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

#### 1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting.

The financial statements have been prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and effective standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (revised February 2013).

The effective standards, IFRSs and IFRICs, in accordance with Directive 5, Appendix B: 1 April 2014, of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4	The Effects of changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5	Borrowing Costs (as revised in 2013)
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 10	Financial Reporting in Hyperinflationary Economics (as revised in 2010)
GRAP 11	Construction Contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events after the reporting date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
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 Financial Statements

<b>Reference</b>	<b>Topic</b>
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations (as revised in 2013)
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRIC 21	Levies

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

<b>Reference</b>	<b>Topic</b>
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 8	Transitional Provisions for Parliament and the Provincial Legislatures
Directive 9	The Application of the Standards of GRAP by Trading Entities
Directive 10	The Application of the Standards of GRAP by Public Further Education and Training Colleges
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue (As revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease

<b>Reference</b>	<b>Topic</b>
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The GRAP standards listed below have amendments that became effective during the current financial year.

<b>Reference</b>	<b>Topic</b>
GRAP 5	Borrowing Costs (as revised in 2013)
GRAP 100	Discontinued Operations (as revised in 2013)

The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements. The other accounting policies applied are consistent with those used to present the previous year’s financial statements.

In terms of Directive 7 “The Application of Deemed Cost on the Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality’s asset register;
- cost of items with a similar nature in other municipalities’ asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality’s asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

**1.2 Standards, Amendments to Standards and Interpretations issued and approved but not yet effective**

These accounting standards are divided into two groups:

- a) Issued and approved with a future effective date, in all of these cases the effective date has been determined as 1 April 2015.

GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

These standards does not have any impact on the municipality therefore the municipality opted to early adopt GRAP 105, 106 and 107.

- b) Issued and approved without an effective date (these standards were not early adopted by the Municipality):

GRAP 18	Segment Reporting
GRAP 32	Service Concession Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Standards of GRAP that an entity may use to disclose information in its financial statements:

GRAP 20	Related Party Disclosures
---------	---------------------------

**1.3 Presentation currency**

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

**1.4 Offsetting**

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

**1.5 Going concern assumption**

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

**1.6 Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.7 Foreign currency transactions**

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

**1.8 Presentation of Budget information**

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

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the Statement of Comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015.

Material differences or variances are defined as any differences or variance above 10% with a value of more than R1 000 000.

Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### **1.9 Housing Development Fund**

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

## **1.10 Reserves**

### **1.10.1 Capital Replacement Reserve ( CRR)**

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

## **1.11 Employee Benefits**

### **(a) Pension obligations**

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) *Post Retirement Medical obligations***

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional 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 using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

**(c) *Long Service awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) *Ex gratia Gratuities***

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(e) *Accrued Leave pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

**(f) *Accrued Annual and Performance bonuses***

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

**(g) *Other short-term employee benefits***

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

## **1.12 Provisions**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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 amount 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.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

## **1.13 Leases**

### **1.13.1 The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

**1.13.2 The Municipality as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**1.14 Long-term liabilities (Borrowings)**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

**1.15 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

**1.16 Payables from Exchange Transactions**

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

**1.17 Unspent Conditional Grants and Receipts**

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

**1.18 Unpaid Conditional Grants and Receipts**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.19 Value Added Tax**

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**1.20 Property, Plant and Equipment****1.20.1 Initial Recognition**

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **1.20.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **1.20.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

<b>Asset Category</b>	<b>Asset Sub Category</b>	<b>Useful Life in years</b>
Infrastructure Assets	Elec. Generation	10 - 30
	Elec. Reticulation	10 - 45
	Refuse	10 - 100
	Roads, Pavements & Bridges	10 - 50
	Sewerage: Purification	20 - 120
	Sewerage: Reticulation	10 - 100
	Stormwater	10 - 50
	Street Lighting	5 - 20
	Water: Dams & Reservoirs	20 - 50
	Water: Purification	10 - 100
	Water: Reticulation	10 - 120

<b>Asset Category</b>	<b>Asset Sub Category</b>	<b>Useful Life in years</b>
Community Assets	Buses	10 - 15
	Cemeteries	20 - 100
	Community Halls	15 - 100
	Community: Other	15 - 100
	Fire, Safety & Emergency	10 - 100
	Libraries	10 - 100
	Museums & Art Galleries	10 - 100
	Parks & Gardens	5 - 50
	Recreational Facilities	15 - 100
	Social Rental Housing	10 - 100
	Sport fields & Stadiums	10 - 100
	Swimming Pools	10 - 20
Other Assets	Civic Land & Buildings	20 - 100
	Computers: Hardware & Eqpt	4 - 5
	Furniture & Office Equipment	7 - 30
	General Vehicles	7 - 15
	Other Buildings	50 - 100
	Other Land	Indefinite
	Other: Other Assets	5 - 15
	Plant & Equipment	5 - 30
	Security Measures	5 - 10
	Specialised Vehicles	12 - 30

#### **1.20.4 Derecognition**

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.21 Investment Property**

#### **1.21.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

#### **1.21.2 Subsequent Measurement – Fair Value**

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

### 1.21.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.22 Intangible Assets

### 1.22.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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.

### 1.22.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.22.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-5
Other intangible assets	3-30

### 1.22.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.23 Heritage assets

### 1.23.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

### 1.23.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.23.3 Depreciation and Impairment**

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.23.4 Derecognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.24 Biological assets****1.24.1 Initial Recognition**

A biological asset is a living animal or plant which is part of an agricultural activity and entails the management of the biological transformation and harvest of biological assets for either the sale; distribution at no charge or for a nominal charge; or conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge. Agricultural produce is the harvested product of the municipality's biological assets.

Biological assets shall be recognised when, and only when:

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

Biological assets are measured on initial recognition at its fair value less costs to sell, except where the fair value cannot be measured reliably. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

### **1.24.2 Subsequent Measurement**

Biological assets are measured at each reporting period at their fair value less estimated point-of-sale costs. The fair value of the biological is determined based on current market prices, growth and/or volume and estimated value movement in point-of-sale cost.

### **1.24.3 Derecognition**

On derecognition of biological assets due sale or nominal charge, the proceeds as a result of the sale or nominal charge are recognised as revenue in the statement of financial performance for the period in which it arises, whilst the cost of sale (fair value less cost of sale) is recognised as an expenditure in the statement of financial performance.

## **1.25 Impairment of non-financial assets**

### **1.25.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### **1.25.2 Non-cash-generating assets**

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciated replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

### **1.26 Non-current investments**

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

**1.27 Inventories****1.27.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.27.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

**1.28 Trade and other Receivables**

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. In determining whether an impairment should be recorded, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the future cash flows from a financial asset.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

**1.29 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.29.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised.

**1.29.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### **1.29.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

### **1.30 Cash and Cash Equivalents**

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

### **1.31 Revenue Recognition**

#### **1.31.1 Revenue from exchange transactions**

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.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is calculated by using a trend analysis and other historical data on electricity usage.

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

**Rentals** are recognised on a straight-line basis over the term of the lease agreement.

**Revenue arising from the application of the approved tariff of charges** is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

**Interest earned on investments** is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

**Dividends** are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

**Finance income from the sale of housing** by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **1.31.2 Revenue from non-exchange transactions**

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

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

**Fines** constitute both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institutes/departments.

**Donations** are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

**Revenue from third parties** i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

**Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure** is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **Grants, Transfers and Donations**

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. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue is measured at the fair value of the consideration received or receivable.

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 present 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 will be recognised as revenue.

**1.32 Grants and Subsidies paid**

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

**1.33 Changes in accounting policy, estimates and errors**

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

**1.34 Unauthorised Expenditure**

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,

- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.35 Irregular Expenditure**

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, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.36 Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.37 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **1.38 Interest in Joint Venture**

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

#### **Jointly controlled assets**

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

### **1.39 Financial Instruments**

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

#### **1.39.1 Financial Assets**

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables

- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

### 1.39.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Payables from exchange transactions
- Bank Overdraft
- Current Portion of Long-term Liabilities

### 1.39.3 Measurement

#### **Initial Recognition:**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **Subsequent Measurement:**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

### 1.39.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

**Receivables from exchange and non-exchange transactions** are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of the receivables collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

**Loans and receivables** are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

### **1.39.5 Derecognition of Financial Instruments**

#### **1.39.5.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.39.5.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.39.6 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.40 Contingent Liabilities / Assets**

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

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

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

**1.41 Events after reporting date**

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

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

Events after the reporting date classified as adjusting events are accounted for in the financial statements.

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.42 Contractual commitments**

Contractual commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.43 Significant accounting judgements and estimates**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

**Post retirement medical obligations, Long service awards and Ex gratia gratuities**

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**Impairment of Receivables**

The calculation in respect of the impairment of service debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of Traffic fines is based on an assessment of the past payment history of fines per category.

**Property, plant and equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

**Intangible assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

**Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. (Refer to above accounting policies on estimates made)

**Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institutes/departments. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**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 when found material.

**Notes 2 – 57: Other Notes to Annual Financial Statements**

**2. HOUSING DEVELOPMENT FUND**

	2015 R	2014 R
Balance at beginning of the year	722 426	800 765
Income	28 113	26 720
Land Sales	-	-
Housing Letting/Selling Scheme Loans	-	-
Interest on investments	28 113	26 720
Housing Debtors	-	-
Less: Expenditure	-	105 060
Funding Capital Projects	-	-
Funding Operating Projects	-	105 060
<b>Total Housing Development Fund assets and liabilities</b>	<b>750 539</b>	<b>722 426</b>

**3. CAPITAL REPLACEMENT RESERVE**

	2015 R	2014 R
Balance at beginning of the year	65 233 610	59 783 414
Income	142 660 026	72 776 385
Land Sales contribution	9 034 583	1 034 465
External Services contribution	6 215 558	1 741 921
Buy-out of Parking areas contribution	-	-
Contribution from Operating account	127 409 885	70 000 000
Other	-	-
Less: Expenditure	79 178 604	67 326 189
Funding Capital Projects	79 178 604	67 326 189
<b>Total Capital Replacement Reserve</b>	<b>128 715 032</b>	<b>65 233 610</b>

The Capital Replacement Reserve is fully funded and invested in financial instruments.

**4. FINANCE LEASE LIABILITY**

	2015 R	2014 R
Computers (Rentworks Africa)	1 249 111	2 076 239
Office equipment (Nashua, Minolta & ITEC)	220 696	173 822
Sub-total	1 469 807	2 250 062
<b>Less: Current portion transferred to current liabilities</b>	<b>687 361</b>	<b>996 452</b>
Computers (Rentworks Africa)	566 971	883 751
Office equipment (Nashua, Minolta & ITEC)	120 390	112 702
<b>Total Finance lease liability</b>	<b>782 446</b>	<b>1 253 609</b>

Finance lease liability:

Finance lease liabilities relate to computers and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 9.3 and 31.9 percent for Computers and between 8.9 and 31 percent for Office Equipment. Finance lease liabilities are secured over the items of office equipment leased.

**Obligations under Finance leases:**

Finance lease liabilities - Minimum capital lease payments:

	2015 R	2014 R
No later than 1 year	878 558	1 198 835
Later than 1 year and no later than 5 years	911 073	1 402 246
Later than 5 years	-	-
	1 789 631	2 601 081
Future finance charges on finance leases	( 319 824)	( 351 019)
	1 469 807	2 250 062

The present value of finance lease liabilities is as follows:

	2015 R	2014 R
No later than 1 year	687 361	996 452
Later than 1 year and no later than 5 years	782 446	1 253 609
Later than 5 years	-	-
	1 469 807	2 250 062

**5. OTHER LONG-TERM LIABILITIES**

	2015	2014
	R	R
Local registered stock loans	463 557	565 036
Long-term loan	24 000 000	26 000 000
Sub-total	24 463 557	26 565 036
<b>Less: Current portion transferred to current liabilities</b>	<b>2 119 693</b>	<b>2 092 500</b>
Local registered stock loans	119 693	92 500
Long-term loan	2 000 000	2 000 000
<b>Total Other Long-term Liabilities</b>	<b>22 343 864</b>	<b>24 472 536</b>

Refer to Appendix A for more detail on Long-term liabilities.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and six years.

Long-term loan:

The municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 9.592%.

**6. NON-CURRENT PROVISIONS**

	2015	2014
	R	R
Rehabilitation of Landfill sites	37 757 012	35 619 822
Clearing of Alien Vegetation	13 189 026	13 649 778
	50 946 038	49 269 600
<b>Less: Transfer to Current Provisions</b>	<b>1 240 936</b>	<b>1 534 846</b>
Rehabilitation of Landfill sites	990 936	934 846
Clearing of Alien Vegetation	250 000	600 000
<b>Total Non-Current Provisions</b>	<b>49 705 102</b>	<b>47 734 754</b>
Rehabilitation of Landfill sites	36 766 076	34 684 976
Clearing of Alien Vegetation	12 939 026	13 049 778

The movement in non-current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
	R	R
<b>30 June 2015</b>		
Balance at beginning of year	13 049 778	34 684 976
Contribution to provisions	122 871	2 137 190
Reversal of unused amounts from current	16 377	934 846
Transfer to current provision	( 250 000)	( 990 936)
<b>Balance at end of year</b>	<b>12 939 026</b>	<b>36 766 076</b>
<b>30 June 2014</b>		
Balance at beginning of year	14 004 703	32 494 331
Contribution to provisions	-	2 016 217
Reduction in carrying amount of provision	( 557 945)	-
Reversal of unused amounts from current	203 020	1 109 274
Transfer to current provision	( 600 000)	( 934 846)
<b>Balance at end of year</b>	<b>13 049 778</b>	<b>34 684 976</b>

**6.1 REHABILITATION OF LANDFILL SITES**

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to be finalised by 2018.

**6.2 CLEARING OF ALIEN VEGETATION**

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

7. EMPLOYEE BENEFITS	2015	2014
	R	R
Post Employment Health Care Benefits	86 151 000	81 877 000
Ex-Gratia Gratuities	1 742 000	1 822 000
Long Service Awards	13 917 000	13 276 000
	<u>101 810 000</u>	<u>96 975 000</u>
<b>Less: Transfer to Current liability</b>	<b>5 146 000</b>	<b>4 933 000</b>
Post Employment Health Care Benefits	3 804 000	3 677 000
Ex-Gratia Gratuities	201 000	178 000
Long Service Awards	1 141 000	1 078 000
	<u>96 664 000</u>	<u>92 042 000</u>
<b>Total Non-Current liability</b>	<b>96 664 000</b>	<b>92 042 000</b>
Post Employment Health Care Benefits	82 347 000	78 200 000
Ex-Gratia Gratuities	1 541 000	1 644 000
Long Service Awards	12 776 000	12 198 000

**The movement in Employee benefits are reconciled as follows:**

30 June 2015	<u>Post Empl</u> <u>Health care</u> <u>Benefits</u>	<u>Ex-Gratia</u> <u>Gratuities</u>	<u>Long Service</u> <u>Awards</u>
	R	R	R
Balance at beginning of year	81 877 000	1 822 000	13 276 000
Interest Cost	2 793 000	142 000	1 094 000
Service cost & transitional liability	7 391 000	-	1 088 000
Benefit payments (Expenditure incurred)	(3 955 573)	( 198 263)	(1 043 473)
Actuarial loss / (gain)	(1 954 427)	( 23 737)	( 497 527)
Transfer to current provision	(3 804 000)	( 201 000)	(1 141 000)
<b>Balance at end of year</b>	<u>82 347 000</u>	<u>1 541 000</u>	<u>12 776 000</u>

30 June 2014	<u>Post Empl</u> <u>Health care</u> <u>Benefits</u>	<u>Ex-Gratia</u> <u>Gratuities</u>	<u>Long Service</u> <u>Awards</u>
	R	R	R
Balance at beginning of year	141 567 555	1 793 426	9 628 292
Interest Cost	10 518 469	121 352	668 756
Service cost & transitional liability	7 902 893	-	775 231
Benefit payments (Expenditure incurred)	(3 635 780)	( 197 391)	( 502 232)
Actuarial loss / (gain)	(74 476 137)	104 613	2 705 953
Transfer to current provision	(3 677 000)	( 178 000)	(1 078 000)
<b>Balance at end of year</b>	<u>78 200 000</u>	<u>1 644 000</u>	<u>12 198 000</u>

**DEFINED BENEFIT PLAN INFORMATION**

**7.1 POST EMPLOYMENT HEALTH CARE BENEFITS**

**7.1.1 Introduction and Statistics used:**

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The same method was used in the previous valuation as at 30 June 2014.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our

Medical Aid Scheme Arrangements

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. The contribution rate tables used are contained in Appendix of the report.

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service) will receive a 70% subsidy subject to the maximum (CAP) amount of R 3,763.30 (per month per member) for the period from 1 July 2015 to 30 June 2016. The maximum (CAP) amount was R 3,618.04 in the previous financial year.
- All existing continuation members (pensioners) will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R 3,763.30 (per month per member) for the period from 1 July 2015 to 30 June 2016. The maximum (CAP) amount was R 3,618.04 in the previous financial year.
- Each of the respective member's effective date of the above-stated policy was at the date of permanent employment (at the Municipality) of each member.
- The Maximum subsidy is expected to increase at 50% of inflation.

	2015	2014
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
- In-service members	467	455
- Continuation members	112	116
<b>Total</b>	<b>579</b>	<b>571</b>

The unfunded liability in respect of past service has been estimated as follows:

	2015	2014
	R	R
- In-service members	37 490 000	34 058 000
- Continuation members	48 661 000	47 819 000
	<b>86 151 000</b>	<b>81 877 000</b>

**Summary of In-service members:**

	2015	2014
Number of Principal members	467	455
Proportion Male	67%	68%
Average age of members	44.3	44.0
Average past service	11.3	11.7
Average monthly subsidy payable during retirement	R 1 940	R 1 840

**Summary of Continuation members:**

Number of Principal members	112	116
Proportion Male	60%	60%
Average age of members	67.1	65.8
Average Employer Contribution p.m.	R 2 600	R 2 490

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

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

**7.1.2 Results of Valuation:**

**1) Accrued Liability**

	2015	2014
	R'000	R'000
In-service members	37 490	34 058
Continuation members	48 661	47 819
<b>All members</b>		
Total Value of liabilities	86 151	81 877
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>86 151</b>	<b>81 877</b>

The total liability increased by 5.2% over the accounting period.

**2) Current-Service and Interest Costs**

	2015	2014
	R	R
Current-service Cost (In-service members)	2 793 000	7 902 893
Interest Cost (All members)	7 391 000	10 518 469
<b>Total Cost</b>	<b>10 184 000</b>	<b>18 421 362</b>

**3) Actuarial gains and losses**

	2015 R	2014 R
Actuarial (Gain)/Loss for the period	<b>(1 954 427)</b>	<b>(74 476 137)</b>

The main reasons for the actuarial gain can be attributed to the following factors:

- 1. Changes in economic variables** – Over the past year interest rates, bond yields and inflation figures changed significantly. These changes caused the accrued liability to **decrease** by around **R 145 000**.
- 2. Changes in membership and other smaller assumptions** – There were various changes in the membership between the two valuations. The net effect of these and other smaller changes in assumptions was a **decrease** in the liability of around **R 1 809 427**.

**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R	Year ending 30/06/2017 R
<b>Opening Accrued Liability</b>	<b>131 842 126</b>	<b>141 567 555</b>	<b>81 877 000</b>	<b>86 151 000</b>	<b>93 184 000</b>
Current-service Cost	7 641 905	7 902 893	2 793 000	3 052 000	3 329 000
Interest Cost	10 648 888	10 518 469	7 391 000	7 785 000	8 435 000
Contributions (Benefit payments)	(3 304 776)	(3 635 780)	(3 955 573)	(3 804 000)	(3 698 000)
<b>Total Annual Expense</b>	<b>14 986 017</b>	<b>14 785 582</b>	<b>6 228 427</b>	<b>7 033 000</b>	<b>8 066 000</b>
Actuarial Loss / (Gain)	(5 260 588)	(74 476 137)	(1 954 427)	-	-
<b>Closing Accrued Liability</b>	<b>141 567 555</b>	<b>81 877 000</b>	<b>86 151 000</b>	<b>93 184 000</b>	<b>101 250 000</b>

**7.1.3 Key actuarial assumptions used:**

Valuation Assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) Financial Variables**

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	2015	2014
Discount Rate	Yield Curve	9.07%
Medical Aid Contribution Inflation	CPI+1%	8.19%
CPI (Consumer Price Inflation)	Difference	7.19%
	between nominal and yield curves	
Net Effective Discount Rate	Yield curve based	0.81%

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

\*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

**2) Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**3) Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**4) Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**5) Spouses and Dependents**

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

**6) Decrements**

Withdrawal

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal rate	
	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

**7.1.4 The amounts recognised in the Statement of Financial Position are as follows:**

	2015 R	2014 R
Present value of fund obligations	86 151 000	81 877 000
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>86 151 000</b>	<b>81 877 000</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>86 151 000</b>	<b>81 877 000</b>

**7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:**

	2015 R	2014 R
Current service cost	2 793 000	7 902 893
Interest cost	7 391 000	10 518 469
Actuarial losses/ (gains)	(1 954 427)	(74 476 137)
Vested past service cost	-	-
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	<b>8 229 573</b>	<b>(56 054 775)</b>

**7.1.6 History of Liabilities, Assets and Experience Adjustments**

**i) Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000
Present value of accrued liability	85 539	131 842	141 568	81 877	86 151
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>( 85 539)</b>	<b>( 131 842)</b>	<b>( 141 568)</b>	<b>( 81 877)</b>	<b>( 86 151)</b>

**ii) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000	Year ending 30/06/2015 R'000
Plan liabilities (Gain) / Loss	( 4 667)	2 676	1 932	622	( 145)
Plan assets	-	-	-	-	-

**7.1.7 Sensitivity Analysis:**

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
	R	R	R
Total Accrued Liability	92 065 000	86 151 000	81 141 000
Interest Cost	8 332 000	7 785 000	7 322 000
Service Cost	3 282 000	3 052 000	2 853 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
	R	R	R
Total Accrued Liability	83 095 000	86 151 000	88 390 000
Interest Cost	7 502 000	7 785 000	7 992 000
Service Cost	2 926 000	3 052 000	3 131 000

**7.2 EX-GRATIA GRATUITIES**

**7.2.1 Introduction and Statistics used:**

Valuation Method and Assumptions

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Ex-gratia Benefits Liabilities

The benefits taken into account in the valuation can briefly be summarised as follows:

*Ex-gratia Pensions*

Certain pensions are paid by the Municipality from its revenue and are therefore not funded by any of the Municipality's pension funds. The Revenue Pensions are also referred to as "Ex-gratia" Pensions. Pensioners receive a monthly pension, increased annually and payable for life.

*Spouses Pensions*

There is a 60% contingent pension payable to a spouse upon the pensioner's death.

*Pension increases*

The Municipality currently aims to target annual ex-gratia pension increases at 50% of the Headline CPI inflation.

Valuation of Assets

As at the valuation date, the ex-gratia benefits liabilities of the Municipality were unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Statistics on eligible retirees:

	2015	2014
Number of Pensioners	8	8
Average monthly subsidy (Rand)	2 091	2 070
Pension-weighted average age	74.8	73.8

7.2.2 **Results of Valuation:**

**1) Accrued Liability**

	2015	2014
	R	R
Total Value of liabilities	1 742 000	1 822 000
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>1 742 000</b>	<b>1 822 000</b>

The total liability decreased by 4.4% over the accounting period.

**2) Current-Service and Interest Costs**

	2015	2014
	R	R
Total Interest Costs	<b>142 000</b>	<b>121 352</b>

As there are no in-service members that are eligible for ex-gratia pension benefits there were no Current-service cost calculated in our valuation.

**3) Actuarial gains and losses**

	2015	2014
	R	R
Actuarial (Gain)/Loss for the period	<b>( 23 737)</b>	<b>104 613</b>

The main reasons for the actuarial gain can be attributed to the following factors:

**1. Changes in economic variables** – In this year’s valuation we used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed significantly. This as well as other smaller assumption differences resulted in a **decrease** liability of around **R 23 737**.

**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
	R	R	R	R	R
<b>Opening Accrued Liability</b>	<b>1 632 326</b>	<b>1 793 426</b>	<b>1 822 000</b>	<b>1 742 000</b>	<b>1 691 000</b>
Current-service Cost	-	-	-	-	-
Interest Cost	119 316	121 352	142 000	150 000	145 000
Benefit payments	( 311 276)	( 197 391)	( 198 263)	( 201 000)	( 216 000)
<b>Total Annual Expense</b>	<b>( 191 960)</b>	<b>( 76 039)</b>	<b>( 56 263)</b>	<b>( 51 000)</b>	<b>( 71 000)</b>
Actuarial Loss / (Gain)	353 060	104 613	( 23 737)	-	-
<b>Closing Accrued Liability</b>	<b>1 793 426</b>	<b>1 822 000</b>	<b>1 742 000</b>	<b>1 691 000</b>	<b>1 620 000</b>

7.2.3 **Key actuarial assumptions used:**

Valuation Assumptions

In estimating the liability for ex-gratia benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) Financial Variables**

As stated we have calculated the ex-gratia pensioner liability by multiplying the annual pension provided to us by an appropriate annuity factor as at the valuation date. The assumptions we used to determine the annuity factors were as follows:

Financial Variable	2015	2014
Discount Rate	Yield Curve	8.37%
Consumer Price Inflation (CPI)	Differnece between nominal and real yield	6.72%
Pension Inflation	50% of CPI	3.36%
Net Effective Discount Rate	Yield Curve Based	4.85%

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

\*Statement of Financial Position (herein referred to as the “balance sheet”).

We use the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

**2) Mortality Rates and Spouses**

Mortality has been based on the PA(90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

**7.2.4 The amounts recognised in the Statement of Financial Position are as follows:**

	2015 R	2014 R
Present value of fund obligations	1 742 000	1 822 000
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>1 742 000</b>	<b>1 822 000</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>1 742 000</b>	<b>1 822 000</b>

**7.2.5 The amounts recognised in the Statement of Financial Performance are as follows:**

	2015	2014
Current service cost	-	-
Interest cost	142 000	121 352
Actuarial losses/ (gains)	( 23 737)	104 613
Vested past service cost	-	-
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	<b>118 263</b>	<b>225 965</b>

**7.2.6 History of Liabilities, Assets and Experience Adjustments:**

**1) Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2011 R	Year ending 30/06/2012 R	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R
Present value of accrued liability	1 515 265	1 632 326	1 793 426	1 822 000	1 742 000
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(1 515 265)</b>	<b>(1 632 326)</b>	<b>(1 793 426)</b>	<b>(1 822 000)</b>	<b>(1 742 000)</b>

**2) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2011 R	Year ending 30/06/2012 R	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R
Plan liabilities (Gain) / Loss	583 653	223 622	207 048	16 000	( 23 737)
Plan assets	-	-	-	-	-

**7.2.7 Sensitivity analysis:**

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumption:

- 20% increase/decrease in the assumed level of mortality;

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
	R	R	R
Total Accrued Liability	1 883 000	1 742 000	1 627 000
Interest Cost	163 000	150 000	140 000

**7.3 LONG SERVICE AWARDS**

**7.3.1 Introduction and Statistics used:**

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long Service Awards Liabilities

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a 14th cheque (equivalent to one month's additional salary). This is then equated to one month's salary at the date of the accrual of the long service award. We have converted the awarded days leave days into a percentage of the employee's annual salary + a 14th cheque (if applicable is expressed as 1 month over a year - 12 months). The days leave conversion is based on a 250 working day year and therefore the leave days benefits awarded can be expressed as follows:

- 10 years service = 10 working days
- 15 years service = 15 working days
- 20 years service = 20 working days
- 25 years service = 25 working days
- 30 years service = 30 working days plus one calendar month
- 35 years service = 35 working days plus one calendar month
- 40 years service = 40 working days plus one calendar month
- 45 years service = 45 working days plus one calendar month

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Statistics on eligible employees:

	2015	2014
Number of eligible employees	849	832
Average annual salary (Rand)	145 970	138 376
Salary-weighted average age	43.69	43.51
Salary-weighted average past service	10.88	11.01

7.3.2 Results of Valuation:

**1) Accrued Liability**

	2015	2014
	R	R
Total Value of liabilities	13 917 000	13 276 000
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>13 917 000</b>	<b>13 276 000</b>
<b>Average liability per member</b>	<b>16 392</b>	<b>15 957</b>

The total liability increased by 4.8% over the accounting period.

**2) Current-Service and Interest Costs**

	2015	2014
	R	R
Current-service Cost	1 094 000	775 231
Interest Cost	1 088 000	668 756
<b>Total Cost</b>	<b>2 182 000</b>	<b>1 443 987</b>

**3) Actuarial gains and losses**

	2015	2014
	R	R
Actuarial (Gain)/Loss for the period	( 497 527)	2 705 953

The main reasons for the actuarial loss can be attributed to the following factors:

- 1. Changes in economic variables** – Over the past financial year changes in economic variables caused a **decrease** in liability of around **R 58 000**.
- 2. Membership changes** – Over the past financial year there has been a number of membership changes. This as well as other smaller assumption changes resulted in the liability to **decrease** by around **R 439 527**.

**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
	R	R	R	R	R
<b>Opening Accrued Liability</b>	<b>8 124 926</b>	<b>9 628 292</b>	<b>13 276 000</b>	<b>13 917 000</b>	<b>15 201 000</b>
Current-service Cost	732 013	775 231	1 094 000	1 153 000	1 202 396
Interest Cost	656 250	668 756	1 088 000	1 272 000	1 381 200
Benefit payments	(1 012 810)	( 502 232)	(1 043 473)	(1 141 000)	(1 163 000)
<b>Total Annual Expense</b>	<b>375 453</b>	<b>941 755</b>	<b>1 138 527</b>	<b>1 284 000</b>	<b>1 420 596</b>
Actuarial Loss / (Gain)	1 127 913	2 705 953	( 497 527)	-	-
<b>Closing Accrued Liability</b>	<b>9 628 292</b>	<b>13 276 000</b>	<b>13 917 000</b>	<b>15 201 000</b>	<b>16 621 596</b>

7.3.3 Key actuarial assumptions used:

Valuation Assumptions

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) 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	2015	2014
Discount rate	Yield Curve	8.02%
CPI (Consumer Price Inflation)	Difference between nominal and real yield	6.37%
Normal Salary Increase Rate	Equal to CPI	7.37%
Net Effective Discount Rate	Yield Curve	0.61%

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

\*Statement of Financial Position (herein referred to as the “balance sheet”).

We use the nominal and zero curves as at 30 May 2015 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

\*\* The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2015 of 6.79%. As at the time of this valuation South African Municipal salaries’ negotiations were still in progress. Therefore, for the purpose of performing this valuation, we have assumed that the previous year’s increase rate of 6.79% is still relevant in this year’s valuation. The next salary increase was assumed to take place on 01 July 2016.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Females
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0

**2) Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**3) Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**4) Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

**5) Withdrawal Decrements**

A table setting out the assumed rates of withdrawal from service is set out below:

Age	Withdrawal Rate	
	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

**7.3.4 The amounts recognised in the Statement of Financial Position are as follows:**

	2015	2014
	R	R
Present value of fund obligations	13 917 000	13 276 000
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>13 917 000</b>	<b>13 276 000</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>13 917 000</b>	<b>13 276 000</b>

**7.3.5 The amounts recognised in the Statement of Financial Performance are as follows:**

	2015	2014
	R	R
Current service cost	1 094 000	775 231
Interest cost	1 088 000	668 756
Actuarial losses/ (gains)	(497 527)	2 705 953
Vested past service cost	-	-
Total included in employee related costs (Note 32) and Actuarial losses / (gains)	<b>1 684 473</b>	<b>4 149 940</b>

**7.3.6 History of Liabilities, Assets and Experience Adjustments:**

**i) Present value of accrued liability and Fair value of plan assets:**

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
	R	R	R	R	R
Present value of accrued liability	6 990 489	8 124 926	9 628 292	13 276 000	13 917 000
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(6 990 489)</b>	<b>(8 124 926)</b>	<b>(9 628 292)</b>	<b>(13 276 000)</b>	<b>(13 917 000)</b>

**ii) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
	R	R	R	R	R
Plan liabilities (Gain) / Loss	(344 738)	131 466	986 908	850 000	(58 000)
Plan assets	-	-	-	-	-

**7.3.7 Sensitivity Analysis:**

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
	R	R	R
Total Accrued Liability	14 731 000	13 917 000	13 196 000
Current Service Cost	1 266 000	1 153 000	1 058 000
Interest Cost	1 351 000	1 272 000	1 202 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
	R	R	R
Total Accrued Liability	12 884 000	13 917 000	15 074 000
Current Service Cost	1 049 000	1 153 000	1 273 000
Interest Cost	1 173 000	1 272 000	1 382 000

**7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS**

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit plan, whereas the Cape Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

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

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

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2014 (30 June 2013) revealed that the fund had an actuarial surplus of R23 343 000 (deficit of R10 030 000) with a funding level of 101.7% (99.2%), and is in a sound financial state as at 30 June 2014.

**CAPE RETIREMENT FUND**

The fund is in a sound financial condition at the valuation date of 30 June 2014. The total value of net assets of the Fund was R17.212 billion. An effective investment return of 24.5% per annum was awarded for the Growth Portfolio, 6.5% for the Protection Portfolio and 12.8% for the Moderate Portfolio for the year ending 30 June 2014. The funding level for the Share account was 99.9% and 112.6% for the Pensions account.

**SALA PENSION FUND**

The SALA Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed as on 1 July 2013 revealed that the fund had an actuarial surplus of R0 with a funding level of 100%, and is in a sound financial state as at 1 July 2013.

**MUNICIPAL COUNCILLORS PENSION**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the year ended 30 June 2012 revealed that the fund had an funding level of 99.5% (2009 - 102.0%), and is in a sound financial state as at 30 June 2012.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

As actuaries of SAMWU provident Fund, Towers Watson, confirmed that the fund is financially stable, operates as a going concern and has no liquidity issues.

**8. NON-CURRENT DEPOSITS**

	2015	2014
	R	R
<b>Santos Pavilion Repair Fund</b>		
Balance at beginning of year	242 751	235 202
Interest on Investment	8 840	7 549
	251 591	242 751

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

**9. CONSUMER DEPOSITS**

	2015	2014
	R	R
Electricity	10 981 730	9 883 233
Water	8 473 272	7 496 216
<b>Total consumer deposits</b>	19 455 002	17 379 449

**Guarantees held in lieu of electricity deposits**

-	-
---	---

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

**10. PROVISIONS (CURRENT PORTION)**

	2015	2014
	R	R
Rehabilitation of Landfill sites	990 936	934 846
Clearing of Alien Vegetation	250 000	600 000
<b>Total Provisions</b>	1 240 936	1 534 846

The movement in current provisions are reconciled as follows:

	2015	2014
	R	R
<b>Rehabilitation of Landfill sites</b>		
Balance at beginning of year	934 846	1 109 274
Transfer from non-current	990 936	934 846
Unused amount reversed to non-current	( 934 846)	(1 109 274)
Expenditure incurred	-	-
<b>Balance at end of year</b>	990 936	934 846

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

**Clearing of Alien Vegetation**

	2015	2014
	R	R
Balance at beginning of year	600 000	800 000
Transfer from non-current	250 000	600 000
Unused amount reversed to non-current provision	( 16 377)	( 203 020)
Expenditure incurred	( 583 623)	( 596 980)
<b>Balance at end of year</b>	250 000	600 000

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

11. CURRENT EMPLOYEE BENEFITS	2015	2014
	R	R
Current portion of Post Employment Health Care Benefits (Refer to note 7)	3 803 999	3 677 000
Current portion of Ex-Gratia Gratuities (Refer to note 7)	201 000	178 000
Current portion of Long Service Awards (Refer to note 7)	1 141 000	1 078 000
Staff Leave accrual	12 247 889	11 432 078
Performance Bonuses accrual	629 483	652 930
Employee Bonuses accrual	4 516 721	4 240 620
Employee Overtime / Standby allowances accrual	764 031	798 823
<b>Total Current Employee Benefits</b>	<b>23 304 123</b>	<b>22 057 451</b>
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>Performance bonuses accrual</b>		
Balance at beginning of year	652 930	534 016
Contributions to provisions	615 340	639 043
Expenditure incurred	( 638 787)	(520 129)
<b>Balance at end of year</b>	<b>629 483</b>	<b>652 930</b>

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

**Staff leave accrual**

	2015	2014
	R	R
Balance at beginning of year	11 432 078	11 472 763
Contributions to provisions	1 968 921	789 278
Expenditure incurred	(1 153 111)	( 829 962)
<b>Balance at end of year</b>	<b>12 247 889</b>	<b>11 432 078</b>

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

**Employee bonus accrual**

	2015	2014
	R	R
Balance at beginning of year	4 240 620	3 989 416
Contributions to provisions	4 516 721	4 240 620
Expenditure incurred	(4 240 620)	(3 989 416)
<b>Balance at end of year</b>	<b>4 516 721</b>	<b>4 240 620</b>

Employee bonus Accrual:

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

**Employee Overtime / Standby allowances**

	2015	2014
	R	R
Balance at beginning of year	798 823	832 671
Contributions to provisions	764 031	798 823
Expenditure incurred	( 798 823)	( 832 671)
<b>Balance at end of year</b>	<b>764 031</b>	<b>798 823</b>

Employee Overtime / Standby allowances accrual:

An accrual is done for the Overtime/Standby allowances that accrued to employees with regards to the financial year.

12. PAYABLES FROM EXCHANGE TRANSACTIONS	2015	2014
	R	R
Trade payables	59 328 636	60 906 188
Payments received in advance	23 154 382	13 327 586
Accrued Expenditure	100 282	67 172
Retentions	9 102 215	8 460 108
Other payables	340 115	902 788
Other deposits	8 027 385	7 391 788
<b>Total Payables from exchange transactions</b>	<b>100 053 016</b>	<b>91 055 631</b>

Refer to Notes 42.1 for detail regarding the restatement of previous year balances.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

**13. UNSPENT / (UNPAID) CONDITIONAL GRANTS AND RECEIPTS**

	2015 R	2014 R
<b>13.1.1 Unspent conditional grants from spheres of government</b>	33 827 318	15 438 846
Provincial Grants (Note 29)	27 092 658	15 407 857
National Grants (Note 29)	6 734 661	30 989
District Municipality (Note 29)	-	-
Other Government Grants (Note 29)	-	-
<b>13.1.2 Unspent other conditional receipts</b>	101 875	204 317
Developers contributions (Note 31)	-	-
Public contributions (Note 31)	101 875	204 317
<b>Total unspent conditional grants and receipts</b>	<u>33 929 193</u>	<u>15 643 163</u>
	<b>2015</b>	<b>2014</b>
	R	R
<b>13.2.1 Unpaid conditional grants from spheres of government</b>	-	(4 769 729)
Provincial Grants (Note 29)	-	(4 769 729)
National Grants (Note 29)	-	-
District Municipality (Note 29)	-	-
Other Government Grants (Note 29)	-	-
<b>13.2.2 Unpaid other conditional receipts</b>	-	-
Developers contributions (Note 31)	-	-
Public contributions (Note 31)	-	-
<b>Total unpaid conditional grants and receipts</b>	<u>-</u>	<u>(4 769 729)</u>

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

Refer to Note 29 for reconciliation of Grants & Subsidies and Note 31 for reconciliation of Public Contributions. Also refer to Appendix D for detail per Vote, per Project and Per Grant/contribution.

**14. VAT Payable / Receivable**

	2015 R	2014 R
VAT Payable	-	-
VAT Receivable	5 183 947	4 806 948
Total VAT Receivable / (Payable)	<u>5 183 947</u>	<u>4 806 948</u>

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over SARS.

**15. PROPERTY, PLANT & EQUIPMENT**

	2015 R	2014 R
<b>As at 30 June 2013</b>		
<b>Carrying values at the beginning of the year</b>	1 688 104 690	1 656 230 159
Cost	2 032 035 160	1 983 799 798
Under Construction	65 041 553	27 315 465
Accumulated Depreciation	(408 972 023)	(354 885 103)
<b>Movement in Cost:</b>		
Acquisitions - PPE	44 604 680	55 302 549
Disposals	(8 692 731)	(2 867 087)
Impairment losses	(1 363 370)	-
Reclassification (to) / from other assets	-	(4 200 100)
<b>Movement in Under Construction:</b>		
Under Construction - Additions	109 759 570	87 155 283
Completed Under construction	(30 734 226)	(49 429 195)
<b>Movement in Accumulated Depreciation:</b>		
Depreciation	(58 384 363)	(55 944 809)
Accumulated Depreciation on disposals	6 013 666	1 857 889
<b>Carrying values at the end of the year</b>	1 749 307 916	1 688 104 690
Cost	2 066 583 739	2 032 035 160
Under Construction	144 066 898	65 041 553
Accumulated Depreciation	(461 342 721)	(408 972 023)

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

Refer to Notes 44.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of PPE assets.

Refer to Notes 43.1 for detail regarding change in accounting policy.

Refer to Note 51 for the amount of contractual commitment for the acquisition of PPE. The amount of R37 490 270 for contractual commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of these leased assets at 30 June 2015 is R1 817 101 and include leased assets where the finance leases have been fully redeemed, but the assets are still used by the municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.

Two capital assets of the Municipality, the main pavilion at Riebeeck Stadium and the guard hut at Louis Fourie land fill site, have structural damage. Both capital assets have been classified as part of non-cash generating unit. No active market exists for both capital assets, therefore the recoverable service amount was determined by determining the value in use. The restoration cost approach was used to determine the value in use.

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

	Cost							Accumulated Depreciation					Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R		R
<b>INFRASTRUCTURE ASSETS</b>														
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Elec. Reticulation	212 947 154	40 841 926	-	3 913 415	-	-	-	257 702 495	57 808 102	-	4 459 170	-	62 267 272	
Solid Waste	38 498 920	-	-	2 137 190	-	71 241	-	40 564 869	12 799 069	-	4 500 693	-	17 299 762	
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	
Roads, Pavements & Bridges	323 067 331	56 088 353	-	7 101 854	-	-	86 669	386 170 870	74 249 871	-	10 665 887	39 424	84 876 334	
Sewerage: Purification	82 783 452	3 090 616	-	3 738 468	-	-	2 630	89 609 907	32 079 692	-	1 351 200	2 594	33 428 298	
Sewerage: Reticulation	236 966 168	6 532 454	-	2 897 709	-	-	194 868	246 201 463	45 431 432	-	6 882 532	35 615	52 278 349	
Stormwater	89 357 588	1 186 534	-	5 283 098	-	-	1 204	95 826 017	13 821 807	-	1 692 078	681	15 513 205	
Street Lighting	1 901 513	-	-	84 376	-	-	-	1 985 889	292 785	-	88 951	-	381 736	
Water: Dams & Reservoirs	46 681 266	-	-	744 754	-	-	6 554	47 419 466	18 553 709	-	916 864	6 348	19 464 225	
Water: Purification	221 295 799	-	-	508 692	-	-	38 734	221 765 757	25 749 230	-	7 028 437	32 874	32 744 792	
Water: Reticulation	134 404 811	17 507 118	-	4 044 420	-	-	2 947 343	153 009 006	42 618 357	-	5 012 675	2 061 713	45 569 320	
<b>Sub-Total</b>	<b>1 387 904 003</b>	<b>125 247 001</b>	<b>-</b>	<b>30 453 976</b>	<b>-</b>	<b>71 241</b>	<b>3 278 001</b>	<b>1 540 255 738</b>	<b>323 404 054</b>	<b>-</b>	<b>42 598 489</b>	<b>2 179 249</b>	<b>363 823 294</b>	
<b>COMMUNITY ASSETS</b>														
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cemeteries	899 180	-	-	-	-	-	-	899 180	101 848	-	29 254	-	131 101	
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Halls	30 484 127	-	-	-	-	-	-	30 484 127	2 565 678	-	415 015	-	2 980 692	
Fire, Safety & Emergency	7 280 782	-	-	-	-	-	-	7 280 782	963 867	-	178 165	-	1 142 032	
Libraries	9 492 926	15 200	-	-	-	-	20 334	9 487 792	965 360	-	167 511	1 386	1 131 485	
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	-	-	-	-	430 000	
Parks & Gardens	6 576 850	-	-	-	-	-	6 850	6 570 000	3 526	-	205	3 730	0	
Recreational Facilities	46 593 341	-	-	-	-	-	-	46 593 341	8 721 006	-	1 563 682	-	10 284 688	
Social Rental Housing	25 148 017	-	-	-	-	-	-	25 148 017	2 937 423	-	480 074	-	3 417 497	
Sport fields & Stadiums	139 398 524	-	-	-	-	1 292 129	679	138 105 717	16 596 389	-	2 761 277	574	19 357 091	
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Other	47 398 914	-	-	-	-	-	120 666	47 278 248	4 413 425	-	832 288	-	5 245 712	
<b>Sub-Total</b>	<b>313 702 660</b>	<b>15 200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 292 129</b>	<b>148 529</b>	<b>312 277 203</b>	<b>37 268 520</b>	<b>-</b>	<b>6 427 470</b>	<b>5 690</b>	<b>43 690 300</b>	
<b>Total carried forward</b>	<b>1 701 606 664</b>	<b>125 262 201</b>	<b>-</b>	<b>30 453 976</b>	<b>-</b>	<b>1 363 370</b>	<b>3 426 530</b>	<b>1 852 532 941</b>	<b>360 672 574</b>	<b>-</b>	<b>49 025 959</b>	<b>2 184 939</b>	<b>407 513 594</b>	

	Cost							Accumulated Depreciation					Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R		R
<b>Total brought over</b>	<b>1 701 606 664</b>	<b>125 262 201</b>	-	<b>30 453 976</b>	-	<b>1 363 370</b>	<b>3 426 530</b>	<b>1 852 532 941</b>	<b>360 672 574</b>	-	<b>49 025 959</b>	<b>2 184 939</b>	<b>407 513 594</b>	<b>1 445 019 347</b>
<b>OTHER ASSETS</b>														
Civic Land & Buildings	68 230 234	-	-	-	-	-	-	<b>68 230 234</b>	3 136 824	-	680 448	-	<b>3 817 271</b>	<b>64 412 963</b>
Other Buildings	41 769 969	5 424 891	-	3 911	-	-	-	<b>47 198 771</b>	5 610 171	-	1 044 958	-	<b>6 655 129</b>	<b>40 543 642</b>
Other Land	135 284 709	-	-	-	-	-	115 000	<b>135 169 709</b>	-	-	-	-	-	<b>135 169 709</b>
Computers: Hardware & Eqpt	7 376 876	-	-	4 438 263	-	-	820 057	<b>10 995 083</b>	3 754 309	-	1 669 886	563 003	<b>4 861 192</b>	<b>6 133 891</b>
Furniture & Office Equipment	17 402 462	-	-	1 878 625	-	-	475 066	<b>18 806 021</b>	8 081 001	-	1 655 760	325 376	<b>9 411 386</b>	<b>9 394 636</b>
General Vehicles	27 372 253	-	-	3 834 406	-	-	1 425 917	<b>29 780 742</b>	10 717 318	-	1 861 099	1 118 764	<b>11 459 653</b>	<b>18 321 089</b>
Plant & Equipment	18 076 235	11 891 821	-	1 078 112	-	-	806 873	<b>30 239 296</b>	11 512 590	-	1 755 510	635 275	<b>12 632 825</b>	<b>17 606 471</b>
Security Measures	1 772 091	1 487 984	-	818 735	-	-	-	<b>4 078 810</b>	814 209	-	268 374	-	<b>1 082 584</b>	<b>2 996 226</b>
Specialised Vehicles	13 122 164	-	-	2 098 652	-	-	1 623 289	<b>13 597 527</b>	4 656 631	-	420 839	1 186 309	<b>3 891 160</b>	<b>9 706 367</b>
Other Assets	21 502	-	-	-	-	-	-	<b>21 502</b>	16 397	-	1 530	-	<b>17 927</b>	<b>3 575</b>
<b>Sub-Total</b>	<b>330 428 496</b>	<b>18 804 697</b>	-	<b>14 150 704</b>	-	-	<b>5 266 201</b>	<b>358 117 696</b>	<b>48 299 449</b>	-	<b>9 358 404</b>	<b>3 828 726</b>	<b>53 829 127</b>	<b>304 288 569</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>2 032 035 160</b>	<b>144 066 898</b>	-	<b>44 604 680</b>	-	<b>1 363 370</b>	<b>8 692 731</b>	<b>2 210 650 637</b>	<b>408 972 023</b>	-	<b>58 384 363</b>	<b>6 013 666</b>	<b>461 342 721</b>	<b>1 749 307 916</b>
<b>INTANGIBLE ASSETS</b>														
Intangible Assets: Software	176 867	-	-	4 690	-	-	-	<b>181 557</b>	94 531	-	25 522	-	<b>120 053</b>	<b>61 504</b>
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>176 867</b>	-	-	<b>4 690</b>	-	-	-	<b>181 557</b>	<b>94 531</b>	-	<b>25 522</b>	-	<b>120 053</b>	<b>61 504</b>
<b>HERITAGE ASSETS</b>														
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	<b>3 397 827</b>	-	-	-	-	-	<b>3 397 827</b>
Heritage Assets: Other	732 769	-	-	-	-	-	-	<b>732 769</b>	-	-	-	-	-	<b>732 769</b>
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	<b>95 003</b>	-	-	-	-	-	<b>95 003</b>
	<b>4 225 599</b>	-	-	-	-	-	-	<b>4 225 599</b>	-	-	-	-	-	<b>4 225 599</b>
<b>INVESTMENT PROPERTIES</b>														
Investment Property: Buildings	51 627 900	-	2 735 400	-	-	-	-	<b>54 363 300</b>	-	-	-	-	-	<b>54 363 300</b>
Investment Property: Land	285 539 705	-	-8 672 013	-	-	-	342 592	<b>276 525 100</b>	-	-	-	-	-	<b>276 525 100</b>
	<b>337 167 605</b>	-	<b>-5 936 613</b>	-	-	-	<b>342 592</b>	<b>330 888 400</b>	-	-	-	-	-	<b>330 888 400</b>
<b>Grant Total Capital Assets</b>	<b>2 373 605 231</b>	<b>144 066 898</b>	<b>-5 936 613</b>	<b>44 609 370</b>	-	<b>1 363 370</b>	<b>9 035 323</b>	<b>2 545 946 193</b>	<b>409 066 554</b>	-	<b>58 409 885</b>	<b>6 013 666</b>	<b>461 462 774</b>	<b>2 084 483 419</b>
<b>INCLUDED ABOVE:</b>														
<b>Leased Assets:</b>	4 970 377	-	-	196 292	-	-	1 303 742	<b>3 862 927</b>	2 291 566	-	795 450	1 041 190	<b>2 045 826</b>	<b>1 817 101</b>
Computer Hardware	3 826 796	-	-	60 275	-	-	606 871	<b>3 280 199</b>	1 393 603	-	722 372	394 449	<b>1 721 527</b>	<b>1 558 673</b>
Computer Software	41 477	-	-	-	-	-	-	<b>41 477</b>	37 996	-	1 155	-	<b>39 151</b>	<b>2 326</b>
Office Machines	518 960	-	-	136 018	-	-	113 726	<b>541 251</b>	306 501	-	56 162	77 514	<b>285 149</b>	<b>256 102</b>
Vehicles	583 144	-	-	-	-	-	583 144	-	553 466	-	15 761	569 227	-	<b>-</b>
<b>Land &amp; Buildings (PPE):</b>	515 212 581	37 954	-	3 911	-	-	235 666	<b>515 018 781</b>	22 318 427	-	4 125 957	-	<b>26 444 384</b>	<b>488 574 396</b>
Land	251 042 889	-	-	-	-	-	235 666	<b>250 807 223</b>	-	-	-	-	-	<b>250 807 223</b>
Buildings	264 169 691	37 954	-	3 911	-	-	-	<b>264 211 557</b>	22 318 427	-	4 125 957	-	<b>26 444 384</b>	<b>237 767 173</b>

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

	Cost							Accumulated Depreciation					Carrying value		
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Impairment losses or reversals		Disposed	Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R		R	R
<b>INFRASTRUCTURE ASSETS</b>															
Elec. Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Elec. Reticulation	195 816 128	23 340 117	-	24 435 320	-	-	-	243 591 565	54 070 528	-	3 737 574	-	-	57 808 102	
Solid Waste	36 478 703	4 000	-	2 016 217	-	-	-	38 498 920	7 847 742	-	4 951 327	-	-	12 799 069	
Roads, Pavements & Bridges	322 648 851	22 836 455	-	7 556 237	-2 200 000	-	41 171	350 800 372	59 627 125	-	14 656 797	-	34 051	74 249 871	
Sewerage: Purification	85 209 661	3 850 296	-	-	-	-	-	89 059 957	30 717 117	-	1 362 575	-	-	32 079 692	
Sewerage: Reticulation	228 731 332	7 718 138	-	1 661 335	-	-	-	238 110 805	39 074 485	-	6 356 947	-	-	45 431 432	
Stormwater	80 547 854	1 482 277	-	2 511 808	-	-	-	84 541 939	12 267 386	-	1 554 420	-	-	13 821 807	
Street Lighting	1 527 063	-	-	374 451	-	-	-	1 901 513	216 547	-	76 238	-	-	292 785	
Water: Dams & Reservoirs	46 462 426	-	-	218 840	-	-	-	46 681 266	17 686 277	-	867 432	-	-	18 553 709	
Water: Purification	221 544 719	576 242	-	177 907	-	-	-	222 298 867	18 731 092	-	7 018 137	-	-	25 749 230	
Water: Reticulation	132 178 150	5 234 028	-	48 172	-	-	-	137 460 351	38 506 386	-	4 111 971	-	-	42 618 357	
<b>Sub-Total</b>	<b>1 351 144 888</b>	<b>65 041 553</b>	<b>-</b>	<b>39 000 286</b>	<b>-2 200 000</b>	<b>-</b>	<b>41 171</b>	<b>1 452 945 556</b>	<b>278 744 686</b>	<b>-</b>	<b>44 693 419</b>	<b>-</b>	<b>34 051</b>	<b>323 404 054</b>	
<b>COMMUNITY ASSETS</b>															
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cemeteries	816 687	-	-	82 492	-	-	-	899 180	89 308	-	12 540	-	-	101 848	
Clinics	-	-	-	-	-	-	-	-	-0	-	0	-	-	-0	
Community Halls	30 484 127	-	-	-	-	-	-	30 484 127	2 368 131	-	197 547	-	-	2 565 678	
Fire, Safety & Emergency	7 280 782	-	-	-	-	-	-	7 280 782	940 027	-	23 840	-	-	963 867	
Libraries	9 383 037	-	-	109 889	-	-	-	9 492 926	917 238	-	48 121	-	-	965 360	
Museums & Art Galleries	430 000	-	-	-	-	-	-	430 000	0	-	-0	-	-	-0	
Parks & Gardens	6 576 880	-	-	-	-	-	30	6 576 850	0	-	3 553	-	28	3 526	
Recreational Facilities	46 431 638	-	-	148 500	-	-	-	46 580 138	8 569 312	-	151 694	-	-	8 721 006	
Social Rental Housing	25 173 517	-	-	-	-	-	25 500	25 148 017	2 553 954	-	383 469	-	-	2 937 423	
Sport fields & Stadiums	139 341 506	-	-	57 018	-	-	-	139 398 524	15 560 690	-	1 035 699	-	-	16 596 389	
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Other	47 513 552	-	-	-	-	-	114 638	47 398 914	3 175 437	-	1 237 987	-	-	4 413 425	
<b>Sub-Total</b>	<b>313 431 727</b>	<b>-</b>	<b>-</b>	<b>397 899</b>	<b>-</b>	<b>-</b>	<b>140 168</b>	<b>313 689 458</b>	<b>34 174 098</b>	<b>-</b>	<b>3 094 450</b>	<b>-</b>	<b>28</b>	<b>37 268 520</b>	
<b>Total carried forward</b>	<b>1 664 576 615</b>	<b>65 041 553</b>	<b>-</b>	<b>39 398 185</b>	<b>-2 200 000</b>	<b>-</b>	<b>181 339</b>	<b>1 766 635 014</b>	<b>312 918 784</b>	<b>-</b>	<b>47 787 869</b>	<b>-</b>	<b>34 079</b>	<b>360 672 574</b>	

	Cost							Accumulated Depreciation						Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Impairment Loss or (Reversal)	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Impairment losses or reversals	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought over</b>	<b>1 664 576 615</b>	<b>65 041 553</b>	<b>-</b>	<b>39 398 185</b>	<b>-2 200 000</b>	<b>-</b>	<b>181 339</b>	<b>1 766 635 014</b>	<b>312 918 784</b>	<b>-</b>	<b>47 787 869</b>	<b>-</b>	<b>34 079</b>	<b>360 672 574</b>	<b>1 405 962 440</b>
<b>OTHER ASSETS</b>															
Civic Land & Buildings	68 230 234	-	-	-	-	-	-	68 230 234	2 898 751	-	238 073	-	-	3 136 824	65 093 411
Other Buildings	39 975 742	-	-	1 794 227	-	-	-	41 769 969	5 263 801	-	346 370	-	-	5 610 171	36 159 798
Other Land	131 888 863	-	-	5 450 000	-2 000 100	-	40 851	135 297 912	-	-	-	-	-	-	135 297 912
Computers: Hardware & Eqpt	6 809 294	-	-	823 178	-	-	255 596	7 376 876	2 802 876	-	1 090 074	-	138 640	3 754 309	3 622 567
Furniture & Office Equipment	16 364 372	-	-	1 563 375	-	-	525 284	17 402 462	6 865 285	-	1 624 657	-	408 941	8 081 001	9 321 461
General Vehicles	25 646 957	-	-	2 852 790	-	-	1 127 494	27 372 253	9 658 883	-	1 768 823	-	710 388	10 717 318	16 654 936
Plant & Equipment	17 002 588	-	-	1 414 566	-	-	340 919	18 076 235	9 817 217	-	1 964 511	-	269 137	11 512 590	6 563 645
Security Measures	1 321 964	-	-	450 127	-	-	-	1 772 091	145 239	-	668 971	-	-	814 209	957 881
Specialised Vehicles	11 961 668	-	-	1 556 100	-	-	395 604	13 122 164	4 499 411	-	453 922	-	296 703	4 656 631	8 465 534
Other Assets	21 502	-	-	-	-	-	-	21 502	14 858	-	1 540	-	-	16 397	5 104
<b>Sub-Total</b>	<b>319 223 183</b>	<b>-</b>	<b>-</b>	<b>15 904 364</b>	<b>-2 000 100</b>	<b>-</b>	<b>2 685 748</b>	<b>330 441 699</b>	<b>41 966 319</b>	<b>-</b>	<b>8 156 940</b>	<b>-</b>	<b>1 823 810</b>	<b>48 299 449</b>	<b>282 142 250</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1 983 799 798</b>	<b>65 041 553</b>	<b>-</b>	<b>55 302 549</b>	<b>-4 200 100</b>	<b>-</b>	<b>2 867 087</b>	<b>2 097 076 713</b>	<b>354 885 103</b>	<b>-</b>	<b>55 944 809</b>	<b>-</b>	<b>1 857 889</b>	<b>408 972 023</b>	<b>1 688 104 689</b>
<b>INTANGIBLE ASSETS</b>															
Intangible Assets: Software	116 988	-	-	59 879	-	-	-	176 867	75 102	-	19 429	-	-	94 531	82 336
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>116 988</b>	<b>-</b>	<b>-</b>	<b>59 879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176 867</b>	<b>75 102</b>	<b>-</b>	<b>19 429</b>	<b>-</b>	<b>-</b>	<b>94 531</b>	<b>82 336</b>
<b>HERITAGE ASSETS</b>															
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	-	3 397 827
Heritage Assets: Other	732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	-	732 769
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	-	95 003
	<b>4 225 599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 225 599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 225 599</b>
<b>INVESTMENT PROPERTIES</b>															
Investment Property: Buildings	31 185 931	-	2 677 293	17 764 676	-	-	-	51 627 900	-	-	-	-	-	-	51 627 900
Investment Property: Land	292 937 786	-	-12 524 391	1 041 210	4 200 100	-	115 000	285 539 705	-	-	-	-	-	-	285 539 705
	<b>324 123 717</b>	<b>-</b>	<b>-9 847 098</b>	<b>18 805 886</b>	<b>4 200 100</b>	<b>-</b>	<b>115 000</b>	<b>337 167 605</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>337 167 605</b>
<b>Grant Total Capital Assets</b>	<b>2 312 266 102</b>	<b>65 041 553</b>	<b>-9 847 098</b>	<b>74 168 314</b>	<b>-</b>	<b>-</b>	<b>2 982 087</b>	<b>2 438 646 783</b>	<b>354 960 205</b>	<b>-</b>	<b>55 964 238</b>	<b>-</b>	<b>1 857 889</b>	<b>409 066 554</b>	<b>2 029 580 229</b>

16. BIOLOGICAL ASSETS

	Quantity (Hectar)	Fair value (per Hectar) R	2015 R	2014 R
Pine Grove Plantation	-	-	-	1 961 495
			-	1 961 495

The trees of Pine grove plantation, which was located on farms 25 and 46 (Great brak river), were harvested during the financial year. Council decided rather to lease the property than to re-plant.

Reconciliation of fair value:

	2015 R	2014 R
Opening Fair Value	1 961 495	1 832 981
Fair Value adjustments - Price changes	-	61 057
Fair Value adjustments - Cost changes	-	-5 480
Fair Value adjustments - Volume changes	-	72 937
Sale of timber	-1 961 495	-
Closing Fair Value	-	1 961 495

No title or other restrictions are placed on biological assets.  
No biological assets were pledged as security for liabilities.  
There are no commitments for the acquisition of biological assets.

17. INTANGIBLE ASSETS

	2015 R	2014 R
<b>Carrying values at the beginning of the year</b>	82 336	41 886
Cost	176 867	116 988
Accumulated amortisation	(94 531)	(75 102)
<u>Movement in Cost:</u>		
Acquisitions	4 690	59 879
<u>Movement in Accumulated Depreciation:</u>		
Amortisation	(25 522)	(19 429)
<b>Carrying values at the end of the year</b>	61 504	82 336
Cost	181 557	176 867
Accumulated amortisation	(120 053)	(94 531)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 36) in the Statement of Financial Performance.

The municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

Refer to Notes 44.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of Intangible assets.

18. INVESTMENT PROPERTY

	2015 R	2014 R
<b>Carrying values at the beginning of the year</b>	337 167 605	337 074 617
Cost	337 167 605	324 123 717
Under Construction	-	12 950 899
<u>Movement in Cost:</u>		
Acquisitions	-	18 805 886
Fair Value adjustment	(5 936 613)	(9 847 098)
De-recognition	(342 592)	(115 000)
Reclassification (to) / from other assets	-	4 200 100
<u>Movement in Under Construction:</u>		
Under Construction - Additions	-	1 913 776
Completed Under construction	-	(14 864 676)
<b>Carrying values at the end of the year</b>	330 888 400	337 167 605
Cost	330 888 400	337 167 605
Under Construction	-	-
<b>Amounts included in Surplus/Deficit for the year, are as follows:</b>		
Rental Revenue from Investment Property	1 311 602	1 243 519
Fair value adjustment	(5 936 613)	(9 847 098)

Refer to Notes 42.3 for detail regarding the restatement of previous year balances.

Refer to Notes 43.1 for detail regarding change in accounting policy.

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of Investment Property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr CH Badenhorst, of Abathathu Valuers CC, who holds a recognised and relevant qualification. As the valuer are bound to place a fair value on the properties valued, he selected to make use of 3 different methods of valuation practice, namely, Market value, Capitalisation of Property Income and Replacement cost less depreciation.

The fair value adjustment is included in the line item "Fair value adjustment" (Note 41) in the Statement of Financial Performance.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of de-recognition.

No investment properties were pledged as security for liabilities.

19. HERITAGE ASSETS	2015	2014
	R	R
Carrying values at the beginning of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599
<u>Movements:</u>		
None	-	-
Carrying values at the end of the year	4 225 599	4 225 599
Cost	4 225 599	4 225 599

The following Heritage Assets were identified, but no value could be provided:

Site 3419, Mossel Bay - Cave at the point

The Cape st. Blaize Cave at the point in Mosselbay situated on site 3419 is classified as a heritage asset controlled and owned by the Municipality. The Cape st. Blaize Cave yield artefacts dating back 80 000 years. The artefacts it selves are housed at the Culture Museum which is not controlled or owned by the Municipality.

Sites 7357 en 2938, Mossel Bay - Harry Giddey

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victory of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay for all the efforts to upgrade the park.

20. LONG-TERM RECEIVABLES	2015	2014
	R	R
<b>Long-term receivables:</b>	1 888 697	2 060 173
Study Loans	129 080	114 938
Land Sales Debtors	15 456	16 833
Public Assistance Loans	86 906	106 051
Housing Selling Scheme Loans	1 657 254	1 822 352
<b>Less: Current portion transferred to current receivables</b>	404 057	422 191
Land Sales Debtors	3 195	3 222
Public Assistance Loans	70 675	85 551
Housing Selling Scheme Loans	330 187	333 418
<b>Less: Provision for Debt Impairment of long-term receivables</b>	1 137 276	775 694
Housing Selling Scheme Loans	1 137 276	775 694
<b>Total</b>	347 364	862 288
<b>Reconciliation of Debt Impairment of Long-term receivables</b>	2015	2014
	R	R
Balance at beginning of year	775 694	1 286 962
Contribution to / (Reversal from) provision	361 582	( 511 268)
Bad Debts written off / recovered	-	-
<b>Balance at end of year</b>	1 137 276	775 694

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa.

A payment percentage of 32.01 % was established and a provision for debt impairment was made for 67.99%.

No provision for debt impairment to be recognised for study and public assistance loans.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

21. INVENTORY	2015	2014
	R	R
Consumable stores	1 956 689	930 179
Maintenance materials	7 908 705	8 059 081
Meters	472 689	304 317
Spare parts	1 042	4 171
Housing Topstructures	9 454 922	25 641 646
Purification Materials	602 937	1 057 384
Water purification	242 242	156 970
<b>Total inventory</b>	20 639 227	36 153 747

Inventory to the value of R73 479 (R107 575 in 2013/14) was written off during the financial year.

Housing topstructure inventory relates to Azizani/Zinyoka housing project and housing emergency kits for which Mossel Bay municipality is the appointed developer.

22. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2015	Provision for Debt		Net Balance R
	Gross Balances R	Impairment R	
Service debtors	77 294 909	22 640 950	54 653 958
Electricity	33 725 389	2 443 268	31 282 121
Water	19 916 664	7 023 813	12 892 851
Refuse	6 748 271	2 859 295	3 888 975
Sewerage	16 904 585	10 314 574	6 590 012
Debtpack Collections	4 146 987	3 635 639	511 348
Land Sales	7 057	5 271	1 786
Housing Instalments	1 031 162	404 099	627 062
Housing rentals	329 667	103 291	226 376
Other	9 920 703	1 351 884	8 568 819
<b>Total</b>	<b>92 730 485</b>	<b>28 141 135</b>	<b>64 589 350</b>

As at 30 June 2014			
Service debtors	66 853 591	18 512 969	48 340 622
Electricity	28 984 329	2 387 902	26 596 427
Water	18 274 653	6 106 832	12 167 821
Refuse	5 954 345	2 364 646	3 589 699
Sewerage	13 640 263	7 653 589	5 986 674
Debtpack Collections	2 635 334	2 628 201	7 133
Land Sales	6 400	5 011	1 389
Housing Instalments	1 041 325	156 408	884 916
Housing rentals	322 832	110 952	211 880
Other	6 541 323	917 897	5 623 426
<b>Total</b>	<b>77 400 805</b>	<b>22 331 439</b>	<b>55 069 366</b>

Electricity, Water, Refuse and Sewerage): Ageing

	2015 R	2014 R
Current (0 -30 days)	48 110 807	42 369 245
31 - 60 Days	2 376 741	1 975 834
61 - 90 Days	2 028 834	1 747 641
91 - 120 Days	1 691 648	1 441 643
121- 365 Days	3 158 738	2 540 983
> 365 Days	19 928 140	16 778 245
<b>Total</b>	<b>77 294 909</b>	<b>66 853 591</b>

Service debtors receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R28 773 273 (2013/14 = R25 606 873) and for more than 30 days is R7 634 160 (2013/14 = R6 782 327).

Debtpack Collections

	2015 R	2014 R
Current (0 -30 days)	1	-
31 - 60 Days	240	229
61 - 90 Days	2 118	-
91 - 120 Days	1 049	60
121- 365 Days	752 688	431 921
> 365 Days	3 390 891	2 203 123
<b>Total</b>	<b>4 146 987</b>	<b>2 635 334</b>

Debtpack collection receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is 65cents (2013/14 = R0) and for more than 30 days is R511 348 (2013/14 = R7 133).

Housing Instalments

	2015 R	2014 R
Current (0 -30 days)	14 065	10 405
31 - 60 Days	5 288	4 202
61 - 90 Days	18 427	2 468
91 - 120 Days	4 849	13 238
121- 365 Days	8 891	24 003
> 365 Days	979 643	987 007
<b>Total</b>	<b>1 031 162</b>	<b>1 041 325</b>

Housing instalments receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R14 065 (2013/14 = R10 405) and for more than 30 days is R612 998 (2013/14 = R874 511).

Housing rentals: Ageing

	2015 R	2014 R
Current (0 -30 days)	6 160	5 686
31 - 60 Days	2 038	2 009
61 - 90 Days	1 900	1 761
91 - 120 Days	1 879	5 213
121- 365 Days	3 557	10 010
> 365 Days	314 133	298 153
<b>Total</b>	<b>329 667</b>	<b>322 832</b>

Housing rentals receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R5 444 (2013/14 = R4 635) and for more than 30 days is R220 931 (2013/14 = R207 246).

	2015 R	2014 R
<b>Other</b>		
Current (0 -30 days)	8 207 413	5 182 832
31 - 60 Days	108 994	313 437
61 - 90 Days	56 255	123 207
91 - 120 Days	83 394	55 969
121- 365 Days	173 005	50 076
> 365 Days	1 291 643	815 804
<b>Total</b>	<b>9 920 703</b>	<b>6 541 323</b>

Other receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R633 595 (2013/14 = R796 814) and for more than 30 days is R361 407 (2013/14 = R440 594).

	2015 R	2014 R
<b>Land Sales</b>		
Current (0 -30 days)	560	457
31 - 60 Days	155	59
61 - 90 Days	38	38
91 - 120 Days	38	38
121- 365 Days	76	72
> 365 Days	6 189	5 737
<b>Total</b>	<b>7 057</b>	<b>6 400</b>

Land sales receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R560 (2013/14 = R457) and for more than 30 days is R1 226 (2013/14 = R932).

	2015 R	2014 R
<b>Reconciliation of Provision for debt impairment of receivables</b>		
Balance at beginning of year	22 331 439	18 882 133
Contribution to / (Reversal from) provision	15 878 913	10 557 985
Bad Debts written off / recovered	(10 069 217)	(7 108 679)
<b>Balance at end of year</b>	<b>28 141 135</b>	<b>22 331 439</b>

	2015 R	2014 R
<b>Summary of Receivables by Consumer Classification</b>		
Residential	52 286 515	45 528 685
Industrial / Commercial	30 535 198	23 161 729
National / Provincial government	1 446 590	1 416 340
Payments received in Advance	8 462 182	7 294 051
	<b>92 730 485</b>	<b>77 400 805</b>

Refer to Notes 45.3 for detail regarding the restatement of comparative information.

**23. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2015 R	2014 R
<b>Other Receivables from Non-Exchange transactions:</b>	<b>46 811 174</b>	<b>29 239 203</b>
Rates	11 888 833	11 724 185
Traffic Fines	30 549 877	13 800 102
Payments made in advance	2 337 719	2 037 168
Government subsidies	128 834	-
Other	1 905 910	1 677 747
Recoverable Expenditure	-	-
<b>Less: Provision for debt impairment of other receivables</b>	<b>35 360 490</b>	<b>18 248 307</b>
Rates	5 637 999	5 504 200
Traffic Fines	29 722 492	12 744 107
<b>Total</b>	<b>11 450 684</b>	<b>10 990 896</b>

Refer to Notes 42.4 for detail regarding the restatement of previous year balances.

Refer to Notes 45.3 for detail regarding the restatement of comparative information.

Fine revenue of all fines issued by the municipality itself, during the current year, amounted to R23 104 446. The total outstanding fines were impaired based on time value of money taking into account the historical trends of the collection period of fines. The impairment was adjusted to R29 722 492.

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for debt impairment. However the "Other Debtors" are individually assessed.

No provision for debt impairment is made for debtors other than Rates Debtors and Traffic Fines.

	2015	2014
	R	R
<b>Rates: Ageing</b>		
Current (0 -30 days)	4 735 078	4 833 430
31 - 60 Days	305 398	311 836
61 - 90 Days	250 339	282 897
91 - 120 Days	222 293	250 690
121- 365 Days	408 115	425 738
> 365 Days	5 967 610	5 619 596
<b>Total</b>	<b>11 888 833</b>	<b>11 724 185</b>

Rates receivables that are past due as at the end of 2014/15 but not impaired, for less than 30 days is R4 697 671 (2013/14 = R4 808 779) and for more than 30 days is R1 553 164 (2013/14 = R1 411 207).

	2015	2014
	R	R
<b>Reconciliation of Provision for debt impairment of other receivables</b>		
Balance at beginning of year	18 248 307	5 281 328
Contribution to / (Reversal from) provision	17 252 532	19 017 819
Bad Debts written off / recovered	( 140 348)	(6 050 840)
<b>Balance at end of year</b>	<b>35 360 490</b>	<b>18 248 307</b>
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>Summary of Rates by Consumer Classification</b>		
Residential	7 172 315	7 217 203
Industrial / Commercial	4 097 660	3 376 790
National / Provincial government	307 977	557 188
Payments received in Advance	310 881	573 005
	<b>11 888 833</b>	<b>11 724 185</b>

**24. INVESTMENTS**

	2015	2014
	R	R
Long-term Deposits : Other bodies	4 683 469	4 643 479
<u>Less:</u> Payment to other bodies	(4 683 469)	(4 643 479)
Short-term Investment deposits	290 097 408	230 654 452
<u>Less:</u> Current portion maturing within next 12 months - refer note 25	(290 097 408)	(230 654 452)
	<b>-</b>	<b>-</b>

No investments were written off during the year.  
The average rate of return on Investments were 6.5% for the year ended 30 June 2015.

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks rated as follows:
  - short-term investments (0 - 12 months) only institutions with a National credit rating of F1 and higher be used
  - long-term investments (more than 12 months) only institutions with a National credit rating of AA or higher be used
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefor has no impact on the Municipality's Statement of Financial Position.

**25. CASH AND CASH EQUIVALENTS**

	2015	2014
	R	R
<b>Assets</b>		
Petty Cash	18 960	18 960
Bank balances	29 135 673	13 163 073
Short-term Investment deposits	290 097 408	230 654 452
<b>Total cash and cash equivalents - Assets</b>	<b>319 252 041</b>	<b>243 836 485</b>
<b>Liabilities</b>		
Bank overdraft (as per Cash book balance)	-	-
<b>Total cash and cash equivalents - Liabilities</b>	<b>-</b>	<b>-</b>

The municipality has the following bank accounts:

BANK ACCOUNT	Account Numbers	2015	2014
		R	R
Primary Bank Account - STANDARD BANK CHECQUE ACCOUNT	82846979	26 816 158	10 436 132
Secondary Bank Account - STANDARD BANK DEPOSIT ACCOUNT	82846936	-	-
Traffic Bank Account - STANDARD BANK	300965338	( 211)	( 7)
		<b>26 815 947</b>	<b>10 436 125</b>

	2015 R	2014 R
Bank statement balance at beginning of year	10 436 125	2 151 210
Bank statement balance at end of year	<u>26 815 947</u>	<u>10 436 125</u>
Cash book balance at beginning of year	13 163 073	3 280 542
Cash book balance at end of year	<u>29 135 673</u>	<u>13 163 073</u>
Petty Cash / Float at beginning of year	18 960	18 960
Petty Cash / Float at end of year	<u>18 960</u>	<u>18 960</u>
INVESTMENTS: Current portion matures within next 12 months - Refer Note 24	<u>290 097 408</u>	<u>230 654 452</u>

All accounts are with STANDARD BANK. The balance of account no. 82846936 - deposit account and account no. 300965338 - Account for Traffic fines, is swept to the cheque account - Primary bank account no. 82846979

No cash and cash equivalents were pledged as security for liabilities.  
No restrictions were placed on the use of cash and cash equivalents.

## 26. OPERATING LEASES

### The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to ten years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

#### In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

	2015 R	2014 R
Balance at beginning of year	839 627	530 704
Movement for the year	213 396	308 923
<b>Total Operating Lease Liabilities - as lessee</b>	<u>1 053 023</u>	<u>839 627</u>

#### The following payments have been recognised as an expenditure in the Statement of Financial Performance:

	2015 R	2014 R
Lease payments	2 178 425	2 121 298
<b>Total Operating Lease payments - as lessee</b>	<u>2 178 425</u>	<u>2 121 298</u>

#### At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

	2015 R	2014 R
<b>Buildings</b>		
Up to 1 year	1 793 439	1 537 119
1 to 5 years	6 002 612	5 528 376
More than 5 years	3 333 309	4 928 469
<b>Total Operating Lease arrangements - as lessee</b>	<u>11 129 360</u>	<u>11 993 964</u>

### The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to forty years. The lessee does not have an option to purchase the property at the expiry of the lease period.

#### In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

	2015 R	2014 R
Balance at beginning of year	172 649	121 018
Movement for the year	20 298	51 631
<b>Total Operating Lease Assets - as lessor</b>	<u>192 947</u>	<u>172 649</u>

#### The following receipts have been recognised as an income in the Statement of Financial Performance:

	2015 R	2014 R
Lease income	1 311 602	1 243 519
<b>Total Operating Lease income - as lessor</b>	<u>1 311 602</u>	<u>1 243 519</u>

#### At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

	2015 R	2014 R
<b>Investment Property</b>		
Up to 1 year	1 306 869	1 268 601
1 to 5 years	1 288 323	2 104 710
More than 5 years	538 782	771 515
<b>Total Operating Lease arrangements - as lessor</b>	<u>3 133 974</u>	<u>4 144 826</u>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

**27. PROPERTY RATES**

	2015	2014
	R	R
<b>Actual</b>		
Residential	70 885 556	65 987 308
Commercial	17 247 253	16 022 969
Vleesbaai	435 469	379 339
Accommodation Establishments	1 455 673	1 639 902
State	372 719	343 618
Building Clause	13 528	13 052
Assessment Rate: Letting	1 340	1 340
Assessment Rate: State Building Kwa Nonqaba	12 821	15 588
Agricultural	990 203	939 167
Agricultural Business	575 495	528 750
Special Rated Area - CID	495 724	474 753
Less: Income forgone	(4 122 301)	(3 823 497)
<b>Total assessment rates</b>	<b>88 363 481</b>	<b>82 522 290</b>

	June 2015	June 2014
<b>Valuations</b>		
Residential	26 396 419 170	26 152 501 470
Commercial	3 243 462 100	3 230 935 200
State	563 539 800	562 296 500
Municipal	632 041 000	606 314 500
Parsonage	85 660 100	88 660 100
Building Clause	4 926 940	5 161 940
Accommodation Establishments	474 977 500	473 058 000
Agricultural Business	155 057 000	151 410 000
Vleesbaai	524 041 000	498 836 700
Public Services Infrastructure - Private	5 618 600	5 610 100
Public Open Space - Private	6 763 600	6 618 600
Protected Area	4 220 000	3 580 000
Assessment Rate: State Building Kwa Nonqaba	19 807 400	19 900 400
Churches	164 267 900	160 817 900
Agricultural	1 467 881 000	1 460 969 000
<b>Total property valuations</b>	<b>33 748 683 110</b>	<b>33 426 670 410</b>

The valuation of land takes place every four years in terms of the determinations of the Municipal Property Rates Act, No.6 of 2004. The basic rate for land and buildings ranged between R0,000675 and R0,005398 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R5 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

**28. SERVICE CHARGES**

	2015	2014
	R	R
Sale of electricity	301 652 313	272 387 024
Sale of water	88 406 327	81 102 640
Refuse removal	36 071 877	32 848 826
Sewerage & sanitation charges	47 983 462	43 583 202
<b>Total service charges</b>	<b>474 113 979</b>	<b>429 921 691</b>

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs. These service charges revenue are the net amounts after taking into account revenue foregone.

**29. GOVERNMENT GRANTS AND SUBSIDIES**

	2015	2014
	R	R
<b>Unconditional grants</b>	54 705 000	47 196 000
Equitable share	54 705 000	47 196 000
<b>Conditional grants</b>	71 744 665	76 310 747
National Government Grants	36 660 329	29 530 339
Provincial Government Grants	32 027 295	45 479 329
District Municipality	2 194 640	462 035
Main Road Subsidy - Provincial	-	35 000
Other Grants	862 402	804 045
<b>Total Government Grants &amp; Subsidies</b>	<b>126 449 665</b>	<b>123 506 747</b>

	2015 R	2014 R
<b>29.1 Summary of Government Grants &amp; Subsidies</b>		
Capital Government Grants & Subsidies	45 645 883	34 294 830
Operating Government Grants & Subsidies	80 803 782	89 211 917
<b>Total</b>	<u>126 449 665</u>	<u>123 506 747</u>
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.2 Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	54 705 000	47 196 000
Adjustments	-	-
Conditions met - transferred to revenue	(54 705 000)	(47 196 000)
Conditions still to be met - transferred to liabilities (see note 13)	<u>-</u>	<u>-</u>
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.3 National Government Grants</b>		
Balance unspent at beginning of year	30 989	108 060
Current year receipts	43 364 000	29 453 267
Adjustments	-	-
Conditions met - transferred to revenue	(36 660 329)	(29 530 339)
Conditions still to be met - transferred to liabilities (see note 13)	<u>6 734 661</u>	<u>30 989</u>
Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Municipal Infrastructure Grant. National Grants also include Finance Management Grant, EPWP, Disaster Recovery, EEDSM and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.		
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.4 Provincial Government Grants</b>		
Balance unspent at beginning of year	10 638 128	6 264 559
Current year receipts	48 481 825	49 852 898
Adjustments	-	-
Conditions met - transferred to revenue	(32 027 295)	(45 479 329)
Conditions still to be met - transferred to liabilities (see note 13)	<u>27 092 658</u>	<u>10 638 128</u>
Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Library services, Thusong Centre Grant, Greenest Town and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.		
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.5 District Municipality</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 065 806	462 035
Adjustments	128 834	-
Conditions met - transferred to revenue	(2 194 640)	(462 035)
Conditions still to be met - transferred to liabilities (see note 13)	<u>-</u>	<u>-</u>
Mossel Bay Municipality received grants from Eden District Municipality for operational and capital disaster recovery projects. Other than the amounts unspent, the conditions of the grants have been met. The amount disclosed under "Adjustments" above is for a debtor created at year-end for outstanding funds.		
Refer to Notes 42.5 for detail regarding the restatement of previous year balances.		
Refer to Notes 45.1 for detail regarding the restatement of comparative information.		
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.6 Main Roads Subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	35 000
Conditions met - transferred to revenue	-	(35 000)
Conditions still to be met - transferred to liabilities (see note 13)	<u>-</u>	<u>-</u>
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.7 Other Grants</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	236 318
Adjustments	862 402	567 727
Conditions met - transferred to revenue	(862 402)	(804 045)
Conditions still to be met - transferred to liabilities (see note 13)	<u>-</u>	<u>-</u>
The Municipality received funds for training from LGSETA. Other than the amounts unspent, the conditions of the grants have been met. The amount disclosed under "Adjustments" above is for an increase in the debtor created for outstanding funds. This debtor amounts to R1 062 442 as at 30 June 2015 for LGSETA.		
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>29.8 Government Grants and Subsidies - SPENT PER VOTE</b>		
Municipal Manager	-	-
Corporate Services	1 010 989	891 967
Financial Services	5 941 073	2 549 249
Technical Services	15 264 722	3 702 317
Community Services	4 269 172	9 321 983
Electricity Services	6 159 457	5 060 543
Development & Planning	39 099 251	54 784 687
<b>Total Spent</b>	<u>71 744 665</u>	<u>76 310 747</u>

30. OTHER INCOME	2015	2014
	R	R
Building Plan Fees	3 868 551	3 655 796
Availability Fees (Services)	16 755 103	16 433 742
Land Usage Fees	887 981	620 138
Contributions from External Services	6 215 558	1 741 921
Contributions from Land Sales	870 713	95 369
Insurance Claims	648 700	772 096
Extension Costs - Waterworks	204 257	232 800
Sale of Redundant Inventory	151 431	286 872
Tampering with Installations	386 618	894 169
Harvesting of Plantation	1 704 149	-
Unclaimed Retention Money	1 281 542	83 337
Cemetery Fee - Burials	287 466	322 887
Pound Fees	98 070	264 547
Collection costs recovered	4 084 717	3 072 495
Other	2 425 612	3 089 647
<b>Total other income</b>	<b>39 870 468</b>	<b>31 565 814</b>
<b>31. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Public Contributions	601 530	10 967 352
Donated and Contributed PPE	1 617 130	7 097 249
Connection Fees	1 977 769	1 422 461
Other	-	-
<b>Total public contributions</b>	<b>4 196 430</b>	<b>19 487 061</b>
<b>31.1 Summary of Public contributions</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Capital Public contributions, Donated and contributed PPE	1 630 221	11 041 153
Operating Public contributions	2 566 209	8 445 908
<b>Total</b>	<b>4 196 430</b>	<b>19 487 061</b>
<b>31.2 Developers Contributions</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
<b>31.3 Public Contributions</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	204 318	1 253 353
Current year receipts	499 088	9 918 316
Adjustments	-	-
Conditions met - transferred to revenue	( 601 530)	(10 967 352)
Conditions still to be met - transferred to liabilities (see note 13)	101 875	204 318
Mossel Bay Municipality received various public contributions for operational and capital projects, such as the Diaz Festival, Youth Day and the Mayor's Relief Charitable Fund.		
<b>31.4 Donated and Contributed Property, Plant and Equipment</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	1 617 130	7 097 249
Adjustments	-	-
Conditions met - transferred to revenue	(1 617 130)	(7 097 249)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
Mossel Bay Municipality received donated ICT computer equipment and water infrastructure assets.		
<b>31.5 Public contributions, Donated and Contributed PPE - PER VOTE</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Municipal Manager	168 792	4 036 863
Corporate Services	234 648	225 205
Financial Services	-	-
Technical Services	-	6 539 457
Community Services	1 617 130	146 365
Electricity Services	-	-
Development & Planning	13 090	7 116 711
<b>Total Spent</b>	<b>2 033 661</b>	<b>18 064 601</b>

Refer to Notes 45.1 for detail regarding the restatement of comparative information.

**32. EMPLOYEE RELATED COSTS**

	2015	2014
	R	R
Employee-related costs - Salaries, Wages & Bonuses	132 826 433	122 462 838
Employee-related costs - Contributions for UIF, pensions & medical aids	31 753 464	29 462 279
Contributions to Post Retirement Benefits Provision	10 326 000	18 542 714
Contributions to Long Service Bonus Provision	2 182 000	1 443 987
Contributions to Leave Gratuity Provision	1 968 921	789 278
Travel, motor car, accommodation, subsistence & other allowances	12 074 333	11 922 734
Housing benefits & allowances	832 521	784 917
Overtime payments	9 594 910	8 903 925
Executive packages	7 972 132	7 552 017
Less: Employee costs capitalised	( 472 050)	( 518 685)
<b>Total employee-related costs</b>	<b>209 058 666</b>	<b>201 346 005</b>

**REMUNERATION OF KEY MANAGEMENT PERSONNEL:**

	2015	2014
	R	R
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	1 254 765	1 167 774
Performance bonuses	134 487	125 986
Car allowance	132 000	132 000
Contributions to UIF, Medical & Pension Funds	227 642	211 984
Group Insurance	-	-
Industrial Council	81	76
<b>Total</b>	<b>1 748 976</b>	<b>1 637 820</b>

	2015	2014
	R	R
<b>Remuneration of the Chief Financial Officer</b>		
Annual remuneration	822 443	1 011 372
Performance bonuses	69 582	106 316
Car allowance	79 500	48 000
Contributions to UIF, Medical & Pension Funds	149 843	209 446
Group Insurance	2 700	6 894
Industrial Council	81	76
<b>Total</b>	<b>1 124 149</b>	<b>1 382 104</b>

Remuneration of individual executive 30 June 2015	Technical + Electricity	Dev planning	Corporate	Community
	Services	& Housing	Services	Services
	R	R	R	R
Annual remuneration	1 023 998	848 220	816 016	856 508
Performance bonuses	110 306	97 496	91 008	97 710
Acting allowance	12 824	-	-	-
Car allowance	102 000	108 000	120 000	108 000
Contributions to UIF, Medical & Pension Funds	191 639	205 349	151 103	153 042
Group Insurance	6 480	-	5 328	6 480
Industrial Council	81	81	81	81
<b>Total</b>	<b>1 447 327</b>	<b>1 259 146</b>	<b>1 183 536</b>	<b>1 221 822</b>

Remuneration of individual executive 30 June 2014	Technical + Electricity	Dev planning	Corporate	Community
	Services	& Housing	Services	Services
	R	R	R	R
Annual remuneration	951 871	595 111	755 817	819 506
Performance bonuses	103 333	68 500	85 255	91 534
Acting allowance	10 961	-	-	-
Car allowance	102 000	81 000	120 000	108 000
Contributions to UIF, Medical & Pension Funds	179 160	145 831	141 501	163 930
Group Insurance	6 894	-	5 669	6 894
Industrial Council	76	57	76	76
<b>Total</b>	<b>1 354 297</b>	<b>890 500</b>	<b>1 108 318</b>	<b>1 189 940</b>

**33. REMUNERATION OF COUNCILLORS**

	2015	2014
	R	R
Executive Mayor	669 075	632 385
Executive Deputy Mayor	539 434	510 082
Speaker	595 664	563 129
Mayoral Committee members	2 599 694	2 456 642
Councillors	4 338 201	4 108 003
Councillors' pension contributions	390 044	358 254
Councillors' medical contributions	61 855	53 280
<b>Total Councillors' remuneration</b>	<b>9 193 967</b>	<b>8 681 774</b>

**In kind benefits**

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cell phones for communication purposes.

**Certification by Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

-----  
  
Municipal Manager

34. DEBT IMPAIRMENT COSTS	2015	2014
	R	R
<b>Contribution to Provision for Debt Impairment:</b>	33 499 717	29 929 681
- Rates	274 147	313 712
- Electricity	177 136	175 770
- Water	4 442 621	3 449 128
- Refuse	2 077 042	1 455 134
- Sewerage	6 434 889	4 579 791
- Traffic fines	16 978 385	12 744 107
- Collection fees	1 899 452	1 044 043
- Housing Installments	247 691	-
- Housing rentals	-	22 553
- Land sales	260	12
- Sundry Debtors	606 512	185 430
- Long-term receivables	361 582	-
- Other receivables	-	5 960 000
<b>Total debt impairment costs</b>	<b>33 499 717</b>	<b>29 929 681</b>

Refer to Notes 42.4 for detail regarding the restatement of previous year balances.

35. DEPRECIATION AND AMORTISATION EXPENSE	2015	2014
	R	R
<u>Depreciation:</u>		
Property, Plant and Equipment	58 384 363	55 944 809
<u>Amortisation:</u>		
Intangible Assets	25 522	19 429
<b>Total Depreciation and Amortisation costs</b>	<b>58 409 885</b>	<b>55 964 238</b>

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

36. FINANCE COSTS	2015	2014
	R	R
Finance Leases	345 335	245 830
Other Long-term Liabilities	2 393 927	2 390 124
Current Deposit / Grants	36 953	42 854
<b>Total interest</b>	<b>2 776 215</b>	<b>2 678 808</b>

37. BULK PURCHASES	2015	2014
	R	R
Electricity	208 463 286	187 468 188
Water	8 975 355	8 316 154
<b>Total bulk purchases</b>	<b>217 438 641</b>	<b>195 784 341</b>

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

38. CONTRACTED SERVICES	2015	2014
	R	R
Account Print	354 775	400 946
AMR System	343 855	281 514
Beautification of CBD	-	10 943
Cash Transit	232 922	233 953
CID	436 066	441 627
Cleansing Services	5 384 611	5 757 842
Cut of Grass	4 037 711	4 300 352
Gardening Services	52 476	18 444
Info System Maintenance	538 491	490 330
Internal Auditors	1 341 470	1 284 276
Life Saving	1 181 760	1 061 965
Meter Readings	1 199 604	1 146 549
Prepaid System	7 365 201	7 681 711
Refuse Recycling	207 294	87 845
Refuse Removal	4 443 325	3 808 001
Reverse Osmosis Plant	692 189	712 440
Sanitation Services	2 266 944	1 056 578
Security Services	3 419 683	4 388 809
Transport Co.	341 658	308 048
Additional Valuations	163 792	166 795
Washing Linen	59 460	51 278
Concessionary Fees- Indigent	248 617	208 475
Desalination plant	4 438 798	4 154 647
<b>Total Contracted services</b>	<b>38 750 701</b>	<b>38 053 369</b>

Refer to Notes 42.1 for detail regarding the restatement of previous year balances.

39. GRANTS AND SUBSIDIES PAID	2015	2014
	R	R
Subsidy: Benefit Discount Scheme	252 819	256 781
SPCA	674 100	630 000
Other Donations	201 973	118 000
<b>Total grants &amp; subsidies</b>	<b>1 128 893</b>	<b>1 004 781</b>

**Other Donations:**

During 2014/15 Other Donations were made to the amount of R201 973.48, whereas an amount of R118 000 was donated during 2013/14. Of the R201 973.48 Other Donations, R25 000 was donated to the Piet Julies Action Group, R33 400 to Heart to Heart care centre, R25 000 to Genesis community projects, R25 000 to Association for people with disabilities, R33 500 to ACVV Kenani Dienssentrum, R25 000 to Peace Care Centre and R35 073.48 to the Mossel Bay Care Centre.

40. GENERAL EXPENSES	2015	2014
	R	R
Audit Fees - External Auditors	3 788 053	3 749 383
Bank Charges	2 273 660	2 028 467
Conferences & Seminars	35 373	37 526
Consultant Fees	1 868 797	1 608 415
Contract Work	5 570 338	5 681 516
Contributions to Alien Vegetation Provision Desalination Plant	122 871	-
Energy Efficiency Projects	55 652	6 449 457
Entertainment - Public	2 736 753	-
Fuel & Oil	32 722	62 647
Hire Charges	6 603 960	6 821 442
Housing: Top Structures	198 617	110 448
Industrial & Tourism - Sect. 21 Co	28 967 810	8 278 086
Insurance	2 090 153	1 990 622
Inventory Items	1 593 081	2 065 487
Lease Charges	183 034	108 832
Legal Costs	2 489 849	2 735 544
Levy - Bargaining Council	808 857	831 584
Levy - Skills Development (SETA)	68 722	63 951
Levy - Water : DWAF	1 733 653	1 598 413
Levy-Water Catchmt Man:DWAF	294 664	278 731
Licence Fees	686 020	763 877
Materials and Stores	387 553	359 394
Public Functions	10 493 971	8 553 601
Refuse Tip Site - External	466 314	571 587
Relief / Charitable Expenses	2 649 154	2 505 807
Telephones and Communications	168 792	159 670
Travelling & Subsistence	1 292 297	1 152 012
Water Rural Areas	571 877	469 370
Advertising	59 179	99 852
Postage, Rev Stamps & PO Box	1 211 933	1 126 384
Bush & Weed Clearing	1 554 088	1 364 372
Pest Control	674 799	654 495
Printing & Stationary	233 996	229 937
Refuse Bags	1 222 645	1 277 831
Subscriptions	1 411 180	1 219 594
Other	2 226 178	2 015 109
Less:	7 233 321	6 926 550
Stores handling charges	(2 401 286)	(2 039 981)
Vehicle and Equipment Recoveries	-	-
Departmental Costs	( 29 331)	( 46 419)
Recoverable Expenditure	-	-
	(2 371 954)	(1 993 563)
	<b>91 658 629</b>	<b>71 910 011</b>

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable.

Refer to Notes 42.5 for detail regarding the restatement of previous year balances.

41. FAIR VALUE ADJUSTMENTS	2015	2014
	R	R
<u>Investment property:</u>		
- Fair Value adjusted downwards	12 077 007	19 659 971
- Fair Value adjusted upwards	(6 140 394)	(9 812 873)
<u>Biological assets:</u>		
- Fair Value adjusted downwards	-	-
- Fair Value adjusted upwards	-	( 128 514)
<b>Total Fair Value adjustments</b>	<b>5 936 613</b>	<b>9 718 584</b>

Refer to Notes 42.3 for detail regarding the restatement of previous year balances.

Refer to Notes 45.2 for detail regarding the restatement of comparative information.

**42. PRIOR YEAR ADJUSTMENTS**

**42.1 Payables from exchange transactions (Refer Note 12) & Contracted services (Refer Note 39)**

Account for invoice relating to contracted services by Itron received after year-end with an invoice date before year-end. Adjustment to unallocated traffic fines not accounted for at year-end due to use of offence date and not invoice date.

<b>Changes to Notes to Annual Financial Statements:</b>	<b>2014</b>
<b><u>Payables from exchange transactions (Note 12):</u></b>	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	89 650 206
Increase in "Other payables" due to "Traffic Fines:Unallocated" not accounted for at year-end per invoice date - Opening Balance	301 371
Increase in "Trade payables" due to late Itron invoice - 2013/14	1 104 053
Restated balance of Payables from exchange transactions as at 30 June 2014	<u>91 055 631</u>
<b><u>Contracted services (Note 38):</u></b>	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	36 949 315
Increase in "Contracted Services - Prepaid System" due to late Itron invoice - 2013/14	1 104 053
Restated balance of Contracted services as at 30 June 2014	<u>38 053 369</u>

Payables from exchange transactions and Contracted services are adjusted accordingly.

**42.2 Property, Plant & Equipment (Refer Note 15) & Depreciation (Refer Note 35)**

During the year emphasis was placed on ensuring the completeness of land and buildings. Changes in cost and accumulated depreciation are based on the outcomes of the projects undertaken. It included the unbundling of building and site assets, the inclusion of vesting properties and other sub-divisions of land.

<b>Changes to Notes to Annual Financial Statements:</b>	<b>2014</b>
<b><u>Property, Plant &amp; Equipment (Note 15):</u></b>	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	1633 605 498
<b><u>Adjustments to "Cost":</u></b>	
Correction due to sub-divisions of municipal land - Opening Balance	(11 375 729)
Correction on vesting properties recognised for the first time - Opening Balance	4 638 800
First time recognition of Buis plaas infrastructure - Opening Balance	2 814 271
First time recognition of Buis plaas infrastructure - 2013/14	34 801
Unbundling of other immovable assets - Opening Balance	36 566 426
Unbundling of other immovable assets - 2013/14	(8 684 408)
Unbundling of building and site assets - Opening Balance	55 900 184
Unbundling of building and site assets - 2013/14	8 365 225
<b><u>Adjustments for Change in Accounting Policy relating to Non-current Assets Held for sale (Refer to Note 43.1):</u></b>	
Reclassification of Non-current assets held for	156 500
Reclassification of Non-current assets held for	111 489
<b><u>Adjustments to "Under Construction":</u></b>	
First time recognition of Buis plaas infrastructure - 2013/14	( 34 801)
Unbundling of other immovable assets - Opening Balance	(36 573 905)
Unbundling of other immovable assets - 2013/14	8 662 790
Unbundling of building and site assets - Opening Balance	(1 885 465)
Unbundling of building and site assets - 2013/14	(8 365 225)
<b><u>Adjustments to "Accumulated Depreciation":</u></b>	
First time recognition of Buis plaas infrastructure - Opening Balance	( 429 855)
First time recognition of Buis plaas infrastructure - 2013/14	(72 244)
Unbundling of other immovable assets - Opening Balance	( 139 613)
Unbundling of other immovable assets - 2013/14	(416 219)
Unbundling of building and site assets - Opening Balance	8 420 446
Unbundling of building and site assets - 2013/14	(3 194 275)
Restated balance of PPE - Cost as at 30 June 2014	<u>1688 104 690</u>
<b><u>Depreciation (Note 35):</u></b>	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	52 262 071
First time recognition of Buis plaas infrastructure - 2013/14	72 244
Unbundling of other immovable assets - 2013/14	416 219
Unbundling of building and site assets - 2013/14	3 194 275
Restated balance of Depreciation as at 30 June 2014	<u>55 944 809</u>
<b>Changes directly to statement of financial performance:</b>	
<b><u>Repairs and maintenance (Financial Performance - Expenditure):</u></b>	
Balance at 30 June 2014 on 2013/14 Financial Statements	36 184 121
Unbundling of other immovable assets - 2013/14	18 259
Restated balance of Repairs and maintenance as at 30 June 2014	<u>36 202 380</u>
<b><u>Loss on de-recognition of Property, Plant &amp; Equipment (Financial Performance - Expenditure):</u></b>	
Balance at 30 June 2014 on 2013/14 Financial Statements	837 722
Unbundling of other immovable assets - 2013/14	3 359
Restated balance of Loss on de-recognition of Property, Plant & Equipment as at 30 June 2014	<u>841 081</u>

Cost and Accumulated Depreciation on Property, plant and equipment are adjusted accordingly. Depreciation, Repairs and maintenance and Loss on de-recognition of Property, Plant & Equipment are adjusted accordingly.

**42.3 Investment Property (Refer Note 18) & Fair Value adjustment (Refer Note 41)**

During the year emphasis was placed on ensuring the completeness of land and buildings. Changes in cost and accumulated depreciation are based on the outcomes of the projects undertaken. It included the unbundling of building and site assets, the inclusion of vesting properties and other sub-divisions of land.

**Changes to Notes to Annual Financial Statements:**

**Investment Properties (Note 18):**

Balance at 30 June 2014 on 2013/14 Financial Statements	2014 R 345 665 447
---	--------------------------

**Adjustments to "Cost":**

Correction due to sub-divisions of municipal land - Opening Balance	(8 471 542)
Correction due to sub-divisions of municipal land - 2013/14	(1 126 500)
Correction on vesting properties recognised for the first time - Opening Balance	53 054 500
Unbundling of building and site assets - Opening Balance	(57 295 940)
Unbundling of building and site assets - 2013/14	(9 457 229)

**Adjustments for Change in Accounting Policy relating to Non-current Assets Held for sale (Refer to Note 43.1):**

Reclassification of Non-current assets held for sale - Opening Balance	6 103 140
Reclassification of Non-current assets held for sale - 2013/14	8 695 728

Restated balance of Investment Properties as at 30 June 2014

337 167 605

**Fair Value Adjustment (Note 41)**

**Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions):**

Balance at 30 June 2014 on 2013/14 Financial Statements	R -
Correction due to sub-divisions of municipal land - 2013/14	(2 450 000)
Unbundling of building and site assets - 2013/14	(10 752 853)

**Adjustments for Restatement of comparative information (Refer to note 46.1)**

Split between Revenue and Expenditure - 2013/14	23 144 240
Restated balance of Impairment / Fair Value adjustment of Investment Property and Biological assets as at 30 June 2014	<u><u>9 941 387</u></u>

**Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Expenditure):**

Balance at 30 June 2014 on 2013/14 Financial Statements	-
Correction due to sub-divisions of municipal land - 2013/14	(1 323 500)
Unbundling of building and site assets - 2013/14	(1 295 624)

**Adjustments for Restatement of comparative information (Refer to note 45.1)**

Split between Revenue and Expenditure - 2013/14	22 279 095
Restated balance of Impairment / Fair Value adjustment of Investment Property and Biological assets as at 30 June 2014	<u><u>19 659 971</u></u>

Cost and fair value adjustment on investment property are adjusted accordingly.

**42.4 Other Receivables from Non-exchange Transactions (Refer Note 23) & Debt Impairment Costs (Refer Note 34)**

During the year the municipality found that traffic fines were accounted for on the offence date instead of the transaction date. This related to corrections on "Other Receivables from Non-Exchange transactions - Traffic Fines (Note 23)", "Other non-exchange revenue - Fines (Statement of Financial Performance)", "Other Receivables from Non-Exchange transactions - Provision for debt impairment of other receivables - Traffic Fines (Note 23)" and "Debt Impairment Costs (Note 34)"

**Changes to Notes to Annual Financial Statements:**

**Other Receivables from Non-exchange Transactions (Note 23)**

Balance at 30 June 2014 on 2013/14 Financial Statements (Including Provision for debt impairment of other receivables)	2014 R 15 322 793
Correction on Traffic fines relating to changes from accounting on offence date to transaction date - 2013/14	701 507
Correction on debt impairment relating to changes from accounting on offence date to transaction date - 2013/14	( 647 385)
Adjustments for Restatement of comparative information (Refer to note 45.3) - 2013/14	(4 386 018)
Restated balance of Other Receivables from Non-exchange Transactions as at 30 June 2014	<u><u>10 990 896</u></u>

**Debt Impairment Costs (Note 34)**

Balance at 30 June 2014 on 2013/14 Financial Statements	R 29 282 296
Correction on debt impairment relating to changes from accounting on offence date to transaction date - 2013/14	647 385
Restated balance of Debt Impairment Costs as at 30 June 2014	<u><u>29 929 681</u></u>

**Changes directly to statement of financial performance:**

**Fines (Financial Performance - Revenue from Non-exchange Transactions):**

Balance at 30 June 2014 on 2013/14 Financial Statements	2014 R 16 440 921
Correction on Traffic fines relating to changes from accounting on offence date to transaction date - 2013/14	701 507
Restated balance of Fines income as at 30 June 2014	<u><u>17 142 428</u></u>

Other Receivables from Non-exchange transactions, Debt Impairment Costs and Fines are adjusted accordingly.

**42.5 Government Grants and Subsidies (Refer Note 29) & General Expenses (Refer Note 40)**

Derecognition of Agency expenditure and revenue on housing topstructure projects.

**Changes to Notes to Annual Financial Statements:**

**Government Grants and Subsidies (Note 29)**

Balance at 30 June 2014 on 2013/14 Financial Statements	2014 R 142 980 452
Derecognition of Agency revenue on housing topstructure projects - 2013/14	(19 935 740)
Adjustments for Restatement of comparative information (Refer to note 45.1) - 2013/14	462 035
Restated balance of Government Grants and Subsidies as at 30 June 2014	<u>123 506 747</u>

**General Expenses (Note 40)**

Balance at 30 June 2014 on 2013/14 Financial Statements	R 91 845 751
Derecognition of Agency expenditure on housing topstructure projects - 2013/14	(19 935 740)
Restated balance of General Expenses as at 30 June 2014	<u>71 910 011</u>

Government Grants and Subsidies and General Expenses are adjusted accordingly.

**42.6 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:**

During the year various previous year adjustments were made to the Statement of Financial Position. The following is a summary of all the movements in the previous year's balances:

**Changes to Net assets and Liabilities:**

Balance as at 30 June 2014 (as stated in the 2013/14 Annual Financial Statements):	2014 R 2357 637 408
--	---------------------------

**Net assets:**

Accumulated surplus / (deficit)	29 583 190
---------------------------------	------------

**Non-Current Liabilities:**

None	-
------	---

**Current Liabilities:**

Payables from exchange transactions (Refer to note 42.1)	1 405 425
--	-----------

Restated balance of Net assets and Liabilities as at 30 June 2014

2388 626 023

**Changes to Assets:**

Balance as at 30 June 2014 (as stated in the 2013/14 Annual Financial Statements):	2357 637 408
--	--------------

**Non-current Assets:**

Property, Plant & Equipment (Refer to note 42.2 & 43.1)	46 001 349
Investment Property (Refer to note 42.3 & 43.1)	54 499 192
	(8 497 843)

**Current Assets:**

Other Receivables from Non-exchange Transactions (Refer to note 42.4)	(15 012 735)
Assets classified as held for sale (Refer to note 43.1)	54 122
	(15 066 857)

Restated balance of Assets as at 30 June 2014

2388 626 023

**42.7 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:**

During the year various previous year adjustments were made to the Statement of Financial Performance. The following is a summary of all the movements in the previous year's balances:

Surplus for the year (as stated in 2013/14 Annual Financial Statements):	2014 R 166 252 843
--	--------------------------

**Revenue adjustments:**

Fines (Refer to note 42.4)	(32 437 085)
Government Grants and Subsidies (Refer to note 42.5)	701 507
Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions) (Refer to note 42.3)	(19 935 740)
	(13 202 853)

**Expenditure adjustments:**

Debt Impairment Costs (Refer note 42.4)	(17 099 069)
Depreciation (Refer note 42.2)	647 385
Contracted services (Refer note 42.1)	3 682 738
Repairs and maintenance (Refer note 42.2)	1 104 053
General Expenses (Refer note 42.5)	18 259
Loss on de-recognition of Property, Plant & Equipment (Refer note 42.2)	(19 935 740)
Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Expenditure) (Refer note 42.3)	3 359
	(2 619 124)

Restated Surplus for the year as at 30 June 2014

150 914 827

**42.8 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:**

During the year various previous year adjustments were made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the previous year's balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

	2014
	R
<b>Changes to Accumulated Surplus:</b>	
Balance as at 30 June 2014 (as stated in the 2013/14 Annual Financial Statements):	1975 742 027
Payables from exchange transactions (Refer to note 42.1)	(1 405 425)
Property, Plant & Equipment (Refer to note 42.2)	54 499 192
Investment Property (Refer to note 42.3)	(8 497 843)
Other Receivables from Non-exchange Transactions (Refer to note 42.4)	54 122
Assets classified as held for sale (Refer to note 43.1)	(15 066 857)
<b>Restated balance of Accumulated Surplus as at 30 June 2014</b>	<b>2005 325 217</b>
<b>Changes to Capital Replacement Reserve:</b>	
Balance as at 30 June 2014 (as stated in the 2013/14 Annual Financial Statements):	65 233 610
None	-
<b>Restated balance of Capital Replacement Reserve as at 30 June 2014</b>	<b>65 233 610</b>
<b>Changes to Housing Development Fund:</b>	
Balance as at 30 June 2014 (as stated in the 2013/14 Annual Financial Statements):	722 426
None	-
<b>Restated balance of Housing Development Fund as at 30 June 2014</b>	<b>722 426</b>

**43. CHANGE IN ACCOUNTING POLICY**

**43.1 Property, plant & equipment (Note 15), Investment Property (Note 18) and Assets classified as held for sale**

Changes to GRAP 100 was incorporated into the annual financial statements. Assets held for sale is no longer a separate line item on the statement of financial position. Paragraph 16 of GRAP 100 states: "An entity shall apply the amendments as follows:

(a) Changes to the way in which non-current assets held for sale are measured, shall be applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented."

**Changes to statement of financial position:**

**Property, plant and equipment (Financial Position - Non-current assets):**

	2014
	R
Balance at 30 June 2014 on 2013/14 Financial Statements	1633 605 498
Reclassification from Assets classified as held for sale - Opening Balance	156 500
Reclassification from Assets classified as held for sale - 2013/14	111 489
Adjustments relating to correction of errors (Refer to note 42.2)	54 231 203
Restated balance of Property, plant and equipment as at 30 June 2014	<b>1688 104 690</b>

**Investment Property (Financial Position - Non-current assets):**

Balance at 30 June 2014 on 2013/14 Financial Statements	345 665 447
Reclassification from Assets classified as held for sale - Opening Balance	6 103 140
Reclassification from Assets classified as held for sale - 2013/14	8 695 728
Adjustments relating to correction of errors (Refer to note 42.3)	(23 296 711)
Restated balance of Investment Property as at 30 June 2014	<b>337 167 605</b>

**Assets classified as held for sale (Financial Position - Current assets):**

Balance at 30 June 2014 on 2013/14 Financial Statements	15 066 857
Reclassification to PPE and Investment Property - Opening Balance	(6 259 640)
Reclassification to PPE and Investment Property - 2013/14	(8 807 217)
Restated balance of Assets classified as held for sale as at 30 June 2014	<b>-</b>

Property, plant & equipment (Note 15), Investment Property (Note 18) and Assets classified as held for sale are adjusted accordingly.

**44. CHANGE IN ACCOUNTING ESTIMATES**

**44.1 Changes in Useful lives (Refer Note 15 - PPE & Note 17 - Intangible assets)**

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

	2015	2016	2017	2018
	R	R	R	R
<b><u>Movement in depreciation and amortisation:</u></b>				
Before change in estimate	838 635	745 239	93 057	87 017
After change in estimate	1 541 053	1 539 404	1 340 412	981 624
Net effect	<b>-702 418</b>	<b>-794 165</b>	<b>-1 247 355</b>	<b>-894 606</b>

**45. RESTATEMENT OF COMPARATIVE INFORMATION**

**45.1 Government Grants and subsidies (Note 29) & Public Contributions, Donated and Contributed PPE (Note 31)**

Incentive from grant funding was previously disclosed separately from government grants and subsidies. It is now included under each individual grant source type. All transactions relating to the District Municipality was moved to Government Grants and subsidies.

**Changes to Notes to Annual Financial Statements:**

<u>Government Grants and subsidies - "National Government Grants" (Note 29)</u>	<b>2014</b>
	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	25 968 820
Move from "Incentive from grant funding"	3 561 519
Restated balance of Government Grants and subsidies - "National Government Grants" as at 30 June 2014	<u>29 530 339</u>

Government Grants and subsidies - "District Municipality" (Note 29)

Balance at 30 June 2014 on 2013/14 Financial Statements	-
Move from Public Contributions, Donated and Contributed PPE - "District Municipality" (Note 31)	462 035
Restated balance of Government Grants and subsidies - "District Municipality" as at 30 June 2014	<u>462 035</u>

Government Grants and subsidies - "Provincial Government Grants" (Note 29)

Balance at 30 June 2014 on 2013/14 Financial Statements	57 550 368
Move from "Incentive from grant funding"	7 864 700
Adjustments relating to correction of errors (Refer to note 42.5)	(19 935 740)
Restated balance of Government Grants and subsidies - "Provincial Government Grants" as at 30 June 2014	<u>45 479 329</u>

Government Grants and subsidies - "Incentive from grant funding" (Note 29)

Balance at 30 June 2014 on 2013/14 Financial Statements	11 426 219
Move to each individual grant	(11 426 219)
Restated balance of Government Grants and subsidies - "Incentive from grant funding" as at 30 June 2014	<u>-</u>

Public Contributions, Donated and Contributed PPE - "District Municipality" (Note 31)

Balance at 30 June 2014 on 2013/14 Financial Statements	<b>R</b>
Move to Government Grants and subsidies - "District Municipality" (Note 29)	462 035
Restated balance of Public Contributions, Donated and Contributed PPE - "District Municipality" as at 30 June 2014	<u>(462 035)</u>

Government grants and subsidies & Public Contributions, Donated and Contributed PPE are adjusted accordingly.

**45.2 Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance)**

Impairment / Fair Value adjustment of Investment Property and Biological assets on the face of the financial performance are now split between revenue and expenditure.

**Changes to Notes to Annual Financial Statements:**

<u>Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance) (Note 41)- OLD</u>	<b>2014</b>
	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	865 145
Move to "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions)"	22 279 095
Move to "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Expenditure)"	(23 144 240)
Restated balance of "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance)" as at 30 June 2014	<u>-</u>

Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions) (Note 41) - NEW

Balance at 30 June 2014 on 2013/14 Financial Statements	-
Move from "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance)"	23 144 240
Adjustments relating to correction of errors(Refer to note 42.3)	(13 202 853)
Restated balance of "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions)" as at 30 June 2014	<u>9 941 387</u>

Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Expenditure) (Note 41) - NEW

Balance at 30 June 2014 on 2013/14 Financial Statements	-
Move from "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance)"	22 279 095
Adjustments relating to correction of errors(Refer to note 42.3)	(2 619 124)
Restated balance of "Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance - Revenue from Exchange Transactions)" as at 30 June 2014	<u>19 659 971</u>

Impairment / Fair Value adjustment of Investment Property and Biological assets (Financial Performance) are adjusted accordingly.

**45.3 Receivables from exchange transactions (Note 22) & Receivables from non-exchange transactions (Note 23)**

Accrued Income was moved from "Receivables from non-exchange transactions" to "Receivables from exchange transactions" due to the nature of the income.

**Changes to Notes to Annual Financial Statements:**

<u>Receivables from exchange transactions (Note 22)</u>	<b>2014</b>
	<b>R</b>
Balance at 30 June 2014 on 2013/14 Financial Statements	50 683 347
Moved from "Receivables from non-exchange transactions - Accrued Income"	4 386 018
Restated balance of "Receivables from exchange transactions" as at 30 June 2014	<u>55 069 366</u>

Receivables from non-exchange transactions (Note 23)

Balance at 30 June 2014 on 2013/14 Financial Statements	15 322 793
Moved to "Receivables from exchange transactions - Other debtors"	(4 386 018)
Adjustments relating to correction of errors (Refer to note 42.4)	54 122
Restated balance of "Receivables from non-exchange transactions" as at 30 June 2014	<u>10 990 896</u>

Receivables from exchange transactions & Receivables from non-exchange transactions are adjusted accordingly.

**46. COMPARISON WITH BUDGET**

**Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:**

Net surplus/(deficit) per the statement of financial performance	2014 R 83 672 431
Net surplus/(deficit) as per approved budget	<u>59 263 773</u>
Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)	<u>24 408 658</u>

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

Expenditure per VOTE: OPERATIONAL

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	56 773 887	54 950 873	1 823 014
Corporate Services	38 102 707	36 920 573	1 182 134
Financial Services	37 963 469	34 639 543	3 323 926
Technical Services	109 707 316	104 899 874	4 807 442
Community Services	151 046 889	144 610 374	6 436 515
Electricity Services	255 212 179	251 974 685	3 237 494
Development and Planning	114 987 380	95 785 598	19 201 782
	<u>763 793 827</u>	<u>723 781 519</u>	<u>40 012 308</u>

Detail of Material Variances:

The underspending on Municipal Manager & Executive Council is mainly due to a saving of R8.4 million on the contribution to post retirement benefits and no actuarial losses recognised for the 14/15 financial year.

The underspending on Corporate services is mainly due to savings on general expenditure and depreciation charges.

The underspending on Financial services is mainly due to savings on collection costs and debt impairment.

The underspending on Technical services is mainly due to underspending on bulk purchases of R1.2 million and depreciation charges

The underspending on Community services is mainly due to underspending on debt impairment on traffic fines of R5.97 million.

The underspending on Electricity services is mainly due to underspending on bulk purchases of R2.2 million.

The underspending on Development and Planning services is mainly due to underspending on housing topstructures and depreciation charges.

Expenditure per VOTE: CAPITAL

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	152 000	173 307	( 21 307)
Corporate Services	4 972 181	4 765 694	206 487
Financial Services	683 853	551 058	132 795
Technical Services	37 652 198	37 081 534	570 664
Community Services	7 386 243	6 412 311	973 931
Electricity Services	23 228 149	22 580 849	647 300
Development and Planning	73 473 729	49 944 828	23 528 901
	<u>147 548 352</u>	<u>121 509 581</u>	<u>26 038 771</u>

Detail of Material Variances:

The overspending under the MM Vote is due to the lease of a photocopy machine where the nett present value of the asset was more than the fair value.

The underspending on Corporate Services is mainly due to savings on projects and the delay of delivery and installation from suppliers.

The underspending on Technical services is mainly due to unforeseen conditions on site (project to be rolled-over to 15/16 year), low demand in water and sewerage connections and savings on projects.

The underspending on Community services was mainly due to the project for screens at Van Riebeeck stadium that could not be completed due to insufficient funds (project to be rolled-over to 15/16 year) and savings on projects.

The underspending on Electricity services is mainly due to savings on projects.

The underspending under Development and Planning is mainly due to the underspending on Housing projects (delay in move of informal area, multi-year projects will be rolled-over to 15/16 year), Disaster funds unspent due to late receipt of funds and savings on Streets and storm water projects.

47. CASH GENERATED BY OPERATIONS	2015	2014
	R	R
Surplus / (Deficit) for the year	83 672 431	150 914 827
<b>Adjustment for:</b>		
Depreciation and Amortisation	58 409 885	55 964 238
Gain and loss on derecognition of property, plant and equipment	4 311 046	749 656
Fair Value adjustment	5 936 613	9 718 584
Contributions to provisions (non-current)	2 553 971	-
Contributions to provisions (current)	( 293 910)	222 552
Employee Benefits (non-current)	6 994 008	11 472 566
Employee Benefits (current)	213 000	3 490 429
Actuarial loss	-	2 810 566
Actuarial gains	(2 475 690)	(74 476 137)
Contributions to debt impairment provision	33 493 027	16 320 429
Bad Debts written off	(10 209 565)	(13 159 519)
Investment Income	(20 365 332)	(14 172 494)
Operating Lease Income	( 20 298)	( 51 631)
Operating Lease Expenses	213 396	308 923
Finance costs	2 776 215	2 678 808
<b>Operating surplus before working capital changes:</b>	<b>165 208 796</b>	<b>152 791 797</b>
(Increase) / Decrease in inventories	15 514 520	(24 240 987)
(Increase) / Decrease in receivables from exchange transactions	(15 329 680)	(6 879 452)
(Increase) / Decrease in receivables from non-exchange transactions	(17 571 971)	4 860 936
Increase / (Decrease) in unspent / unpaid conditional grants & receipts	23 055 759	3 247 463
Increase / (Decrease) in VAT payable/receivable	( 376 999)	(2 464 430)
Increase / (Decrease) in Payables from exchange transactions	8 997 385	9 525 257
<b>Cash generated by operations</b>	<b>179 497 809</b>	<b>136 840 584</b>

48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2015	2014
	R	R
Finance lease liability (see note 4)	1 469 807	2 250 062
Other Long-term liabilities (see note 5)	24 463 557	26 565 036
Used to finance PPE - at cost	-	-
Sub-total	25 933 364	28 815 097

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 25).

**49. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE**

49.1 Unauthorised expenditure	2015	2014
	R	R
Reconciliation of unauthorised expenditure		
Opening balance	-	132 304
Unauthorised expenditure current year	21 307	-
Approved by council or condoned	-	( 132 304)
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	21 307	-

The overspending of R21 307 under the vote for the Municipal Manager is due to the lease of a photocopy machine where the nett present value of the asset was more than the fair value.

49.2 Irregular expenditure	2015	2014
	R	R
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	2 279 942	-
Condoned or written off by Council	-	-
Recovered	-	-
To be recovered - contingent asset	-	-
Irregular expenditure awaiting condonement	2 279 942	-

2015

Incident	Disciplinary steps/criminal proceedings
Alleged collusive relationship not declared by tenderers. In terms of the MFMA, section 118, no person may interfere with the SCM system of the Municipality. In this regard, two tenders failed to submit accurate and true certificates and/or fraudulently submitted false information in the standard bidding documentation that has to be completed as per Sec 21 of the SCM Regulations.	Oversight committee still to discuss internal auditors report

49.3 Fruitless & wasteful expenditure	2015	2014
	R	R
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

50. ADDITIONAL DISCLOSURES i.t.o THE MFMA

	2015 R	2014 R
<b>50.1 Contributions to SALGA</b>		
Opening balance	-	-
Council subscriptions	2 010 265	1 794 394
Amount paid - current year	(2 010 265)	(1 794 394)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

50.2 Audit fees

	2015 R	2014 R
<b>External Audit Fees</b>		
Opening balance	-	-
Current year audit fee	3 788 053	3 749 383
Amount paid - current year	(3 788 053)	(3 749 383)
Amount paid - previous years	-	-
<b>Balance recoverable (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

	2015 R	2014 R
<b>Internal Audit Fees</b>		
Opening balance	-	-
Current year audit fee	1 341 470	1 284 276
Amount paid - current year	(1 341 470)	(1 284 276)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

50.3 VAT

	2015 R	2014 R
VAT Receivable / (Payable)	5 183 947	4 806 948

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

50.4 PAYE and UIF

	2015 R	2014 R
Opening balance	-	-
Current year payroll deductions	26 437 255	22 105 887
Amount paid - current year	(26 437 255)	(22 105 887)
Amount paid - previous years	-	-
<b>Balance recoverable (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

50.5 Pension, Provident and medical aid contributions, Group insurance

	2015 R	2014 R
Opening balance	-	-
Current year payroll deductions and council contributions	53 844 150	48 661 240
Amount paid - current year	(53 844 150)	(48 661 240)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

50.6 Councillor's arrear consumer accounts

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
<b>30 June 2015</b>			
None	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2014</b>			
R Skombingo	34	-	34
<b>Total Councillor Arrear Consumer Accounts</b>	<b>34</b>	<b>-</b>	<b>34</b>

During the year the following councillors had arrear accounts outstanding for more than 90 days:

	Month	Highest Amount Outstanding R	Ageing
<b>1 July 2014 to 30 June 2015</b>			
R Skombingo	July 2014 to August 2014	34	90+ days
<b>1 July 2013 to 30 June 2014</b>			
R Skombingo	July 2013 to June 2014	268	90+ days
MM van Wyk	May 2014	255	90+ days
NP Jwili	April 2014	5	90+ days

50.7 **Non-compliance with Chapter 11 of the MFMA**

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

**CLOSED QUOTATIONS / TENDERS:**

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2014	258 713	336 873	290 398	424 751	1 021 544
Aug 2014	223 684	283 145	143 847	200 000	4 624 571
Sep 2014	426 814	386 172	185 699	-	3 856 952
Oct 2014	343 774	370 997	174 574	187 413	1 668 260
Nov 2014	466 909	368 523	413 293	-	-
Dec 2014	299 840	134 763	76 773	128 702	-
Jan 2015	477 376	310 132	207 124	129 761	2 089 911
Feb 2015	197 009	248 420	53 734	-	1 130 000
Mar 2015	275 001	342 260	433 215	116 793	1 058 000
Apr 2015	197 821	29 925	-	256 436	2 651 767
May 2015	259 863	193 528	66 861	272 266	209 760
Jun 2015	140 027	72 898	108 300	-	-
<b>Grand Total</b>	<b>3 566 830</b>	<b>3 077 637</b>	<b>2 153 818</b>	<b>1 716 122</b>	<b>18 310 766</b>

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

50.8 **LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS**

	2015 R	2014 R
Levy Department of Water Affairs and Forestry : Water	294 664	278 731
Levy Department of Water Affairs and Forestry : Water Catchment Management	686 020	763 877
Skills Development Levy	1 733 653	1 598 413
Levy Bargaining Council	68 722	63 951

50.9 **MATERIAL LOSSES**

	2015 R	2014 R
<u>Electricity distribution losses</u>		
- Units purchased (kWh)	293 410 192	284 653 360
- Units lost during distribution (kWh)	19 582 468	21 732 318
- Percentage lost during distribution	6.67%	7.63%

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

	2015 R	2014 R
<u>Water distribution losses</u>		
- Mega litres purified	7 602	7 253
- Mega litres lost during distribution	1 261	888
- Percentage lost during distribution	16.59%	12.24%

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

51. **CONTRACTUAL COMMITMENTS**

	2015 R	2014 R
Commitments in respect of capital expenditure:		
-approved and contracted for	37 490 270	13 518 575
<i>Infrastructure</i>	37 445 044	13 408 180
<i>Community</i>	-	33 200
<i>Other</i>	45 226	77 195
-approved, but not yet contracted	-	-
<i>Infrastructure</i>	-	-
<i>Community</i>	-	-
<i>Other</i>	-	-
<b>TOTAL</b>	<b>37 490 270</b>	<b>13 518 575</b>
<u>This expenditure will be financed from:</u>		
-Capital replacement reserve	6 570 455	11 885 053
-Government grants	30 919 815	-
-Public contributions / donations	-	1 633 523
	<b>37 490 270</b>	<b>13 518 575</b>

**52. RELATED PARTIES**

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

**52.1 Related Party Transactions**

**Year ended 30 June 2015**

	Rates and service charges R	Outstanding balances R
Councillors	279 790	-
Municipal Manager and Section 57 Personnel	74 485	-
Municipal Entities	-	-

**Year ended 30 June 2014**

Councillors	241 951	34
Municipal Manager and Section 57 Personnel	69 178	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

**52.2 Joint Venture - Jointly controlled asset**

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to notes 15, 31.3 and 40 for more detail on these transactions.

**52.3 Related Party Loans**

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 19 to the Annual Financial Statements.

**52.4 Compensation of key management personnel**

The compensation of key management personnel is set out in note 32.

**52.5 Other related party transactions**

No contracts were awarded to key management personnel/councillors or their close family members during the year under review.

The following are awards above R2 000 made to close family members of anybody in the service of the state.

**QUOTATIONS:**

QUOTATION	AWARDED TO	TOTAL AMOUNT (R) FOR 14/15 YEAR	RELATION
Translation Services	Heather Voster	9 030	Heather Voster was an employee of Mossel Bay Municipality within the past twelve months of the initial award.
Tarka 20 Desember 2014 / Youth Development	Harmony Sounds	26 000	Ivan October was an employee of PetroSA within the past twelve months of initial award
Various	SMEC South Africa (Pty) Ltd	558 177	The daughter of an employee of Mossel Bay Municipality works for SMEC (Pieter Myburgh)
Various	Aurecon South Africa George	1 503 176	Aurecon has numerous family members working for State Departments, but none of their Directors have any family members in service of the State.
Buildings – Replace loose tiles	Ben-oni Louis Construction	9 133	The brother of an employee of Mossel Bay Municipality owns BL Construction (Pieter Myburgh)
Various	Marracon (PTY) Ltd	775 304	The owners are the sons of the Executive Mayor of Mossel Bay Municipality
Various	LNJ Konstruksie	1 419 557	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Various	Rika's Cleaning Services	14 700	The husband of the owner is a General Worker at Mossel Bay Municipality
Various	Volts and Welds	180 020	The owner is the cousin of an employee of Mossel Bay Municipality (Pieter Myburgh)
Various	Kuyler Bakwerke & Insleep Dienste	51 186	The wife of the owner is an employee at Mossel Bay Municipality (Yolande Kuyler)

QUOTATION	AWARDED TO	TOTAL AMOUNT (R) FOR 14/15		RELATION
		YEAR		
Translation services	Cheslin Jantjies	2 220		The mother of the owner is an employee at Mossel Bay Municipality (Maggie Pick)
Various	Abathathu Valuers CC	208 256		Gert Fourie, a valuer at Mossel Bay Municipality, is a cousin of one of the owners.
Various	Coalition Trading 1317 CC	129 148		The wife of the owner is an employee at Theewaterskloof Municipality.
Various	Marhen Bouers	179 170		The son of one of the Directors is an employee at Mossel Bay Municipality (R Draai)
Various	Gouws N.E Transport	47 000		The husband of the owner is an employee at Mossel Bay Municipality
Buildings – Fire alarm lower traffic Department	Electronics Services	3 540		The son in law of one of the employees of Mossel Bay Municipality owns Electronic Services (Elaine Stipp)
Various	Cederberg Conservation Services	198 313		The wife of the owner is an employee at SAN Parks
Consultant fees	Mark Berry Environmental Consultants CC	136 000		The Spouse of MG Berry is a State Advocate with NPA
Various	Powerrec	146 593		Powerrec has numerous family members working for State Departments, but none of their Directors have any family members in service of the State.

**TENDERS:**

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 25-13/14		LNJ Konstruksie	163 876	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Tender 15-14/15		LNJ Konstruksie	25 963	The owner is the son of the Executive Mayor of Mossel Bay Municipality
Tender 44-14/15		LNJ Konstruksie	717 225	The owner is the son of the Executive Mayor of Mossel Bay Municipality

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

**53. FINANCIAL RISK MANAGEMENT**

**Credit risk** is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

**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. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

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

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors 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 debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

**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 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.

**Liquidity risk** is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	2015 R	2014 R
Long term receivables	1 888 697	2 060 173
Receivables from Exchange transactions	92 730 485	77 400 805
Other Receivables from Non-Exchange transactions	2 034 744	1 677 747
Cash and Cash Equivalents	319 252 041	243 836 485
<b>Maximum credit and interest rate risk exposure</b>	<b>415 905 967</b>	<b>324 975 210</b>

54. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

<b>SUMMARY OF FINANCIAL ASSETS</b>		<b>2015</b>	<b>2014</b>
<b>Short-term Investment Deposits:</b>		<b>R</b>	<b>R</b>
Short-term Investment Deposits	At amortised cost	290 097 408	230 654 452
<b>Bank Balances and Cash:</b>			
Bank Balances	At amortised cost	29 135 673	13 163 073
Petty cash and advances	At amortised cost	18 960	18 960
<b>Long-term Receivables:</b>			
Study Loans	At amortised cost	129 080	114 938
Land Sales Debtors	At amortised cost	15 456	16 833
Public Assistance Loans	At amortised cost	86 906	106 051
Housing Selling Scheme Loans	At amortised cost	1 657 254	1 822 352
<b>Receivables from Exchange transactions:</b>			
Service debtors	At amortised cost	54 653 958	48 340 622
Debtpack Collections	At amortised cost	511 348	7 133
Land Sales	At amortised cost	1 786	1 389
Housing Instalments	At amortised cost	627 062	884 916
Housing rentals	At amortised cost	226 376	211 880
Sundry Debtors	At amortised cost	8 568 819	5 623 426
<b>Other Receivables from Non-Exchange transactions:</b>			
Government subsidies	At amortised cost	128 834	-
Other	At amortised cost	1 905 910	1 677 747
<b>Unpaid conditional grants and receipts:</b>			
Unpaid conditional grants and receipts	At amortised cost	-	4 769 729
<b>Total Financial Assets</b>		<b>387 764 832</b>	<b>307 413 500</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>		<b>2015</b>	<b>2014</b>
<b>Long term liabilities:</b>		<b>R</b>	<b>R</b>
Local registered stock loans	At amortised cost	343 864	472 536
Long term loan		22 000 000	24 000 000
Annuity loans	At amortised cost	-	-
<b>Lease liability:</b>			
Finance lease liability	At amortised cost	782 446	1 253 609
<b>Payables from exchange transactions:</b>			
Trade and Other Payables	At amortised cost	76 898 634	77 728 045
<b>Unspent conditional grants and receipts:</b>			
Unspent conditional grants and receipts	At amortised cost	33 929 193	15 643 163
<b>Cash and Cash Equivalents:</b>			
Bank Overdraft	At amortised cost	-	-
<b>Current portion of long term liabilities:</b>			
Local registered stock loans	At amortised cost	119 693	92 500
Long term loan		2 000 000	2 000 000
Annuity loans	At amortised cost	-	-
<b>Current portion of Lease liability:</b>			
Finance lease liability	At amortised cost	687 361	996 452
<b>Total Financial Liabilities</b>		<b>136 761 192</b>	<b>122 186 306</b>

The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

**Cash and Cash Equivalents**

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

**Trade and Other receivables / payables**

The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

**Long-term Receivables / payables**

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management’s assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

**Increase in interest rates**

The estimated increase in basis points

Financial Assets  
 Financial Liabilities  
 Net effect on surplus (Financial Assets minus Financial Liabilities)

	2015	1%	2014	1%
	R		R	
	3 877 648		3 074 135	
	1 367 612		1 221 863	
	<u>2 510 036</u>		<u>1 852 272</u>	

**55. CONTINGENT LIABILITIES / ASSETS**

**55.1 Contractual disputes**

Below is a list of possible liability claims where the outcome was unknown at 30 June 2015 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R16 516 054.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R64 220 976.
- Belstow v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 588.
- Attpower (Pty) Ltd v Mossel Bay Municipality: This is a claim based on so-called breach of contract to the amount of R83 849 227.
- SALA Pension Fund v Various municipalities: This is a claim to the amount of R307 349

In our legal opinion we are optimistic about the outcome of all the above disputes.

**55.2 Guarantees of employees housing loans**

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R58 485, and council has a right to recovery.

**55.3 Contingent Assets**

To the best of our knowledge there are no contingent assets to be disclosed as at reporting date.

**56. EVENTS AFTER THE REPORTING DATE**

The municipality is in the process to award a tender for the development, management and lease of the De Bakke and Santos Chalets and Resorts for a period of 30 years. An estimate of the financial effect can not be made at this stage.

The municipality is currently in the investigation stage of a possible fraud case. The investigation is in an early stage. The outcome and value is still unknown.

***Note 57: Implication of standards approved but not yet effective:***

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p><b>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</b></p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> <li>1) Segment revenue for every reportable segment.</li> <li>2) Segment results for every reportable segment.</li> <li>3) Segment assets for every reportable segment.</li> <li>4) The total cost incurred during the period to acquire reportable segment long term assets.</li> <li>5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements.</li> </ol> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B and C.</p>
GRAP 32	Service Concession Arrangements: Grantor	Entire Standard	N	<p><b>Not applicable to Mossel Bay Municipality at this stage.</b></p>
GRAP 105	Transfers of Functions Between Entities under Common Control	Entire Standard	N	<p><b>Not applicable to Mossel Bay Municipality at this stage.</b></p>

GRAP 106	Transfers of Functions Between Entities Not under Common Control	Entire Standard	N	<b>Not applicable to Mossel Bay Municipality at this stage.</b>
GRAP 107	Mergers	Entire Standard	N	<b>Not applicable to Mossel Bay Municipality at this stage.</b>
GRAP 108	Statutory Receivables	Entire Standard	N	<b>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</b>
GRAP 109	Accounting by Principals and Agents	Entire Standard	N	<b>No significant impact is expected as the Municipality's current treatment is already in line with the Standards' treatment.</b>

**APPENDICES**

**Appendix A : Schedule of External Loans**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2015	Carrying value of PPE	Other costs in accordance with the MFMA
				R	R	R		R	R	R
<b>STOCK LOANS</b>										
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	( 0)				( 0)	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	0				0	-	-
Stock loan @ 15.00%	Vista Rolbalklub	1/99	2013/12/31	0				0	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	92 500		92 500		-	-	-
Stock loan @ 15.00%	St Blaze Mooel Vlieers	2/2000/01	2015/11/01	13 538				13 538	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	92 308				92 308	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	13 847				13 847	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462				178 462	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924				36 924	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539				61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714				30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	45 204			( 8 979)	36 225	-	-
<b>Total long-term loans</b>				<b>565 036</b>	-	<b>92 500</b>	<b>( 8 979)</b>	<b>463 557</b>	-	-
<b>LONG-TERM LOANS</b>										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	26 000 000	-	2 000 000		24 000 000	-	-
<b>Total annuity loans</b>				<b>26 000 000</b>	-	<b>2 000 000</b>	-	<b>24 000 000</b>	-	-
<b>TOTAL EXTERNAL LOANS</b>				<b>26 565 036</b>	-	<b>2 092 500</b>	<b>( 8 979)</b>	<b>24 463 557</b>	-	-

**Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)**

<b>SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015</b>						
<b>MUNICIPAL DEPARTMENT CLASSIFICATION</b>						
<b>2014</b>	<b>2014</b>	<b>2014</b>		<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>	<b>SEGMENT</b>	<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
119 604 930	70 132 001	49 472 930	Municipal Manager & Council	56 975 848	54 950 873	2 024 974
866 229	18 386 430	(17 520 201)	Manager Corporate Services	1 192 021	21 115 704	(19 923 683)
1 515 288	10 167 904	(8 652 616)	Socio Economic Plan and Dev	1 020 767	9 431 467	(8 410 700)
16 996 672	56 492 570	(39 495 899)	Town planning & Building control	26 225 848	60 177 188	(33 951 340)
8 440 228	6 658 283	1 781 945	Libraries	4 448 341	7 929 981	(3 481 640)
90 525 436	38 218 641	52 306 795	Manager Financial Services	97 680 664	41 012 944	56 667 720
291	3 876 668	(3 876 378)	Manager Technical Services	228 005	4 233 773	(4 005 768)
310 298 423	229 330 470	80 967 953	Electricity	345 365 584	250 563 031	94 802 554
53 181 201	29 660 442	23 520 759	Sewerage	56 759 256	33 596 894	23 162 362
98 824 123	70 127 735	28 696 388	Water	106 017 078	70 133 314	35 883 764
1 259 848	6 193 873	(4 934 025)	Manager Community Services	1 191 158	8 573 841	(7 382 683)
7 092 479	7 864 517	( 772 038)	Caravan Parks and Chalets	8 914 473	7 720 254	1 194 219
317 772	681 092	( 363 321)	Cemeteries	288 437	646 540	( 358 103)
40 658 250	36 470 759	4 187 491	Cleansing	45 368 456	38 687 650	6 680 806
43 966 442	14 876 103	29 090 339	Integrated Human Settlements	26 885 721	35 632 571	(8 746 850)
22 294 745	43 599 036	(21 304 292)	Public Safety and Rescue Services	29 620 990	50 050 348	(20 429 357)
5 099 353	29 330 339	(24 230 986)	Parks and Recreation	( 728 697)	31 726 432	(32 455 129)
<b>820 941 709</b>	<b>672 066 864</b>	<b>148 874 846</b>	Sub Total	<b>807 453 950</b>	<b>726 182 804</b>	<b>81 271 146</b>
	2 039 981	(2 039 981)	Less inter-dep charges		2 401 286	(2 401 286)
<b>820 941 709</b>	<b>670 026 882</b>	<b>150 914 827</b>	<b>Total</b>	<b>807 453 950</b>	<b>723 781 519</b>	<b>83 672 431</b>

**Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)**

<b>SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015</b>						
<b>GFS CLASSIFICATION</b>						
<b>2014</b>	<b>2014</b>	<b>2014</b>		<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>	<b>SEGMENT</b>	<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
10 017 848	13 533 249	(3 515 401)	Community & Social Services	5 927 936	17 150 362	(11 222 427)
310 298 423	229 330 470	80 967 953	Electricity	345 365 584	250 563 031	94 802 554
119 468 412	66 548 411	52 920 001	Executive & Council	57 229 527	51 494 442	5 735 085
91 528 474	65 031 103	26 497 371	Finance & Admin	98 847 010	70 829 197	28 017 813
43 966 442	13 906 264	30 060 177	Housing	26 885 721	34 624 814	(7 739 092)
-	4 064	( 4 064)	Other	-	2 412	( 2 412)
6 973 570	23 607 481	(16 633 911)	Planning and Development	7 353 568	24 519 236	(17 165 668)
22 294 745	43 599 036	(21 304 292)	Public Safety	29 620 990	50 050 348	(20 429 357)
7 997 558	34 532 593	(26 535 035)	Road Transport	15 300 627	37 008 862	(21 708 235)
12 191 832	37 194 856	(25 003 024)	Sport and Recreation	8 185 776	39 446 686	(31 260 910)
40 658 250	36 470 759	4 187 491	Waste Management	45 368 456	38 687 650	6 680 806
56 722 033	38 180 842	18 541 191	Waste Water Management	61 351 677	41 672 451	19 679 225
98 824 123	70 127 735	28 696 388	Water	106 017 078	70 133 314	35 883 764
<b>820 941 709</b>	<b>672 066 864</b>	<b>148 874 846</b>	Sub Total	<b>807 453 950</b>	<b>726 182 804</b>	<b>81 271 146</b>
	2 039 981	(2 039 981)	Less inter-dep charges		2 401 286	(2 401 286)
<b>820 941 709</b>	<b>670 026 882</b>	<b>150 914 827</b>	<b>Total</b>	<b>807 453 950</b>	<b>723 781 519</b>	<b>83 672 431</b>

**Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)**

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2015												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
<b>ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS &amp; DONATED PPE (per vote)</b>												
MUNICIPAL MANAGER		178 618	-	180	79 260	-	58 000	36 180	15 100	59 512	-	89 266
CORPORATE SERVICES		(567 727)	54 187	279 952	562 708	39 076	97 420	453 810	711 182	168 226	1 062 442	-
FINANCIAL SERVICES		272 069	24 038 000	18 235 000	17 588 276	383 894	9 396 210	9 761 552	9 628 361	31 859 950	128 834	-
TECHNICAL SERVICES		-	1 804 303	5 595 797	4 771 159	9 800 283	1 658 926	4 670 609	3 067 519	5 867 668	-	6 706 820
COMMUNITY SERVICES		22 296	1 612 333	1 315 783	1 320 767	1 623 635	1 615 245	1 892 926	733 431	1 644 700	-	8 513
ELECTRICITY SERVICES		21 457	5 296 000	1 500 000	3 000 000	(3 658 000)	389 883	2 789 277	1 072 948	1 907 349	-	-
DEVELOPMENT PLANNING & HOUSING		10 378 994	27 204 568	15 563 422	25 493 878	2 068 635	10 079 120	23 644 617	11 787 709	8 073 455	-	27 124 595
<b>TOTAL PUBLIC CONTR. &amp; DONATED PPE</b>		<b>10 305 708</b>	<b>60 009 390</b>	<b>42 490 134</b>	<b>52 816 049</b>	<b>10 257 523</b>	<b>23 294 804</b>	<b>43 248 972</b>	<b>27 016 250</b>	<b>49 580 861</b>	<b>1 191 276</b>	<b>33 929 194</b>
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2015												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
<b>ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS &amp; DONATED PPE (per grant)</b>												
EQUITABLE SHARE	NATIONAL	-	21 654 000	18 235 000	14 816 000	-	8 444 231	9 073 929	9 271 971	27 914 869	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	-	1 450 000	-	-	-	232 723	169 970	345 265	702 042	-	-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	-	934 000	-	-	-	-	199 272	-	734 728	-	-
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	-	3 500 000	13 280 000	5 751 000	-	2 577 074	11 585 601	7 021 298	1 347 027	-	-
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT	NATIONAL	21 457	3 796 000	-	2 000 000	-	389 883	2 565 088	940 156	1 922 331	-	-
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT	NATIONAL	-	1 500 000	1 500 000	1 000 000	-	-	224 190	132 792	3 104 916	-	538 102
EXTENDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT	NATIONAL	9 532	738 000	553 000	553 000	-	823 569	89 650	-	940 314	-	-
MUNICIPAL DISASTER RECOVERY	NATIONAL	-	-	-	6 809 000	-	-	-	66 371	546 071	-	6 196 558
MOSSEL BAY SEDIMENT SUPPLY STUDY		-	-	-	243 000	-	-	-	-	243 000	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	10 352 275	24 770 871	7 326 219	16 068 802	8 194 953	9 041 404	16 565 734	7 131 033	7 605 566	-	26 369 383
MAINTENANCE AND CONSTRUCTION OF TRANSPORT INFRASTRUCTURE GRANT		-	-	-	442 000	(0)	-	-	400 000	42 000	-	-
COMMUNITY DEVELOPMENT WORKERS GRANT	Department of Social Services	-	-	69 952	-	(0)	16 268	8 834	13 598	31 252	-	-
THUSONG SERVICE CENTRE GRANT		-	-	-	222 000	-	81 005	58 728	11 595	70 672	-	-
LIBRARY SERVICES CONDITIONAL GRANT	L.S.C.G	13 784	1 612 333	1 312 333	1 312 334	-	1 613 017	1 887 423	727 756	22 587	-	-
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	272 069	-	-	-	-	-	272 069	-	-	-	-
HOUSING EMERGENCY KITS	PAWC	-	-	-	1 231 200	-	-	74 242	216 842	216 842	-	723 275
LGWSETA SKILLS DEVELOPMENT	LGWSETA	(567 727)	54 187	-	297 000	16 500	15 403	217 175	516 791	113 034	1 062 442	-
GREENEST MUNICIPALITY COMPETITION	PAWC	-	-	-	114 035	15 965	-	-	15 075	114 925	-	-
EMERGENCY RELIEF GRANT	EDEN DISTRICT	-	-	-	1 683 276	382 530	-	-	-	2 194 640	128 834	-
DONATED PPE	PUBLIC CONTRIBUTION	-	-	-	-	1 617 130	-	-	-	1 617 130	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES	PUBLIC CONTRIBUTION	204 317	-	213 630	273 401	30 445	60 227	257 068	205 708	96 916	-	101 875
<b>TOTAL GRANTS</b>		<b>10 305 708</b>	<b>60 009 390</b>	<b>42 490 134</b>	<b>52 816 049</b>	<b>10 257 523</b>	<b>23 294 804</b>	<b>43 248 972</b>	<b>27 016 250</b>	<b>49 580 861</b>	<b>1 191 276</b>	<b>33 929 193</b>

1. The Municipality complies with the Grant Conditions in terms of the Grant Framework in the latest division of Revenue Act.

**2. CONDITIONS NOT MET**

Where the conditions were not fully met, it was due to the fact that projects started late, and will be utilised in the 2015/2016 financial year.

**3. PROJECTS FUNDING DELAYED**

A debtor was created for the funding not yet received from LGSETA and Disaster Recovery Funds withheld from Eden District Municipality. No other funding were withheld during the year.

**4. RECONCILIATION BETWEEN APPENDIX AND NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

The receipts and expenditure totals on the appendix includes funds received from department of human settlements for projects where the municipality acts as an agent.