



Tsantsabane Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

# Tsantsabane Local Municipality

(Registration number NC 085)

Annual Financial Statements for the year ended 30 June 2015

## General Information

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<b>Legal form of entity</b>	South African Category B Municipality ( Local Municipality) as defined by the Municipal Structures Act. ( Act No 117 of 1998)
<b>Nature of business and principal activities</b>	Tsantsabane Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
<b>Mayoral committee</b>	
Mayor	E.E.J Phete
Councillors	M. Oliphant M.J. Tonyane K.P. Bosman T.P. Phohle J.J. Swart M.C. Mashila A.J. Ruiters G.P. Bessies S.R. De Bruin O.M. Mabilo
<b>Grading of local authority</b>	Category B
<b>Chief Finance Officer (CFO)</b>	A. Kooverjee
<b>Accounting Officer</b>	H.G. Mathobela
<b>Registered office</b>	13 Springbok Street Postmasburg 8420
<b>Business address</b>	13 Springbok Street Postmasburg 8420
<b>Postal address</b>	P.O.Box 5 Postmasburg 8420
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General of South Africa
<b>Preparer</b>	The annual financial statements were independently compiled by: Makomota Investment Holdings

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

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### Abbreviations

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

# **Tsantsabane Local Municipality**

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Annual Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

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**Accounting Officer**  
**H.G. Mathobela**

# Tsantsabane Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	865 281	2 147 113
Operating lease asset	6	74 648	74 648
Receivables from exchange transactions	9	32 185 819	19 262 060
Receivables from non-exchange transactions	10	22 025 510	17 136 715
Consumer debtors	11	4 130 875	2 999 721
Cash and cash equivalents	12	10 372 442	13 892 415
		<b>69 654 575</b>	<b>55 512 672</b>
Non-Current Assets			
Investment property	3	3 302 846	3 375 732
Property, plant and equipment	4	868 903 050	842 058 416
Intangible assets	5	350 736	350 736
		<b>872 556 632</b>	<b>845 784 884</b>
Non-Current Assets		872 556 632	845 784 884
Current Assets		69 654 575	55 512 672
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>942 211 207</b>	<b>901 297 556</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	13	2 918 006	106 620
Payables from exchange transactions	17	93 264 195	49 330 027
VAT payable	18	3 267 183	1 760 375
Consumer deposits	19	1 959 533	1 730 241
Unspent conditional grants and receipts	14	2 897 855	18 586 746
Short term portion of long term loan	16	559 882	605 296
Bank overdraft	12	639 993	18 593 296
		<b>105 506 647</b>	<b>90 712 601</b>
Non-Current Liabilities			
Finance lease obligation	13	6 184 372	210 125
Employee benefit obligation	7	9 697 000	9 207 000
Provisions	15	8 444 110	8 180 998
Long term loan	16	136 480	687 974
		<b>24 461 962</b>	<b>18 286 097</b>
Non-Current Liabilities		24 461 962	18 286 097
Current Liabilities		105 506 647	90 712 601
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>129 968 609</b>	<b>108 998 698</b>
Assets		942 211 207	901 297 556
Liabilities		(129 968 609)	(108 998 698)
<b>Net Assets</b>		<b>812 242 598</b>	<b>792 298 858</b>
Accumulated surplus		812 242 598	792 298 858

\* See Note 37

# Tsantsabane Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Actuarial gain	24	816 041	3 398 583
Donations received		236 597	532 016
Income from agency services		-	636 799
Insurance claims received		14 875	24 101
Interest received - investment		1 070 579	860 446
Licences and permits		211 263	262 888
Rental income	24	143 472	292 567
Service charges	22	79 004 429	81 451 059
Sundry income	24	14 411 465	874 141
<b>Total revenue from exchange transactions</b>		<b>95 908 721</b>	<b>88 332 600</b>
<b>Revenue from non-exchange transactions</b>			
Fines		91 369	81 269
Government grants & subsidies	23	47 609 599	61 488 324
Property rates	21	24 345 440	24 178 828
<b>Total revenue from non-exchange transactions</b>		<b>72 046 408</b>	<b>85 748 421</b>
<b>Total revenue</b>	20	<b>167 955 129</b>	<b>174 081 021</b>
<b>Expenditure</b>			
Bulk purchases	33	(62 219 106)	(37 806 769)
Debt impairment	28	(11 357 221)	(19 145 610)
Depreciation and amortisation	30	(7 604 212)	(26 082 590)
Finance costs	31	(2 544 938)	(4 334 315)
General Expenses	25	(36 466 462)	(33 674 358)
Personnel	26	(53 668 169)	(46 653 586)
Remuneration of councillors	27	(2 944 415)	(3 831 207)
Repairs and maintenance		(3 890 542)	(3 498 897)
<b>Total expenditure</b>		<b>(180 695 065)</b>	<b>(175 027 332)</b>
Total revenue		167 955 129	174 081 021
Total expenditure		(180 695 065)	(175 027 332)
<b>Operating deficit</b>		<b>(12 739 936)</b>	<b>(946 311)</b>
Gain on disposal of assets and liabilities		15 395 263	29 000 000
Surplus before taxation		2 655 327	28 053 689
Taxation		-	-
<b>Surplus for the year</b>		<b>2 655 327</b>	<b>28 053 689</b>

\* See Note 37

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>764 245 169</b>	<b>764 245 169</b>
Changes in net assets		
Surplus for the year	28 053 689	28 053 689
Total changes	28 053 689	28 053 689
Opening balance as previously reported	790 065 976	790 065 976
<b>Restated* Balance at 01 July 2014 as restated*</b>	<b>790 065 976</b>	<b>790 065 976</b>
Changes in net assets		
Write-offs as approved of grants recognised directly in equity	19 521 295	19 521 295
Net income (losses) recognised directly in net assets	19 521 295	19 521 295
Surplus for the year	2 655 327	2 655 327
Total recognised income and expenses for the year	22 176 622	22 176 622
Total changes	22 176 622	22 176 622
<b>Balance at 30 June 2015</b>	<b>812 242 598</b>	<b>812 242 598</b>

\* See Note 37

# Tsantsabane Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		19 456 645	-
Sale of goods and services		80 783 229	58 452 603
Grants		32 012 027	30 529 557
Interest income		1 070 579	880 398
		<u>133 322 480</u>	<u>89 862 558</u>
<b>Payments</b>			
Employee costs		(56 122 584)	(50 484 793)
Suppliers		(45 406 309)	(55 841 134)
Finance costs		(2 520 215)	(4 261 228)
Other cash item		851 602	(437 506)
		<u>(103 197 506)</u>	<u>(111 024 661)</u>
Total receipts		133 322 480	89 862 558
Total payments		(103 197 506)	(111 024 661)
<b>Net cash flows from operating activities</b>	34	<b>30 124 974</b>	<b>(21 162 103)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(39 296 323)	(23 177 603)
Proceeds from sale of property, plant and equipment	4	15 395 263	-
Proceeds from sale of Land		-	29 000 000
		<u>(23 901 060)</u>	<u>5 822 397</u>
<b>Cash flows from financing activities</b>			
Movement in long term loan		(551 494)	(1 047 656)
Finance lease payments		8 760 910	32 444
		<u>8 209 416</u>	<u>(1 015 212)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14 433 330</b>	<b>(16 354 918)</b>
Cash and cash equivalents at the beginning of the year		(4 700 881)	11 654 037
<b>Cash and cash equivalents at the end of the year</b>	12	<b>9 732 449</b>	<b>(4 700 881)</b>

\* See Note 37



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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	87 527 000	3 200 000	<b>90 727 000</b>	79 004 429	<b>(11 722 571)</b>	46
Licences and permits	385 000	-	<b>385 000</b>	211 263	<b>(173 737)</b>	
Fees earned	-	-	-	14 411 465	<b>14 411 465</b>	46
Rental income	304 000	-	<b>304 000</b>	143 472	<b>(160 528)</b>	
Other income 1	-	-	-	14 875	<b>14 875</b>	
Other income	12 220 000	-	<b>12 220 000</b>	236 597	<b>(11 983 403)</b>	46
Agency services	650 000	-	<b>650 000</b>	816 041	<b>166 041</b>	
Interest received - investment	265 000	-	<b>265 000</b>	1 070 579	<b>805 579</b>	46
Gains on disposal of assets	30 000 000	-	<b>30 000 000</b>	-	<b>(30 000 000)</b>	46
<b>Total revenue from exchange transactions</b>	<b>131 351 000</b>	<b>3 200 000</b>	<b>134 551 000</b>	<b>95 908 721</b>	<b>(38 642 279)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	21 447 000	2 000 000	<b>23 447 000</b>	24 345 440	<b>898 440</b>	
Government grants & subsidies	32 303 000	(2 200 000)	<b>30 103 000</b>	47 609 599	<b>17 506 599</b>	46
<b>Transfer revenue</b>						
Fines	290 000	-	<b>290 000</b>	91 369	<b>(198 631)</b>	46
<b>Total revenue from non-exchange transactions</b>	<b>54 040 000</b>	<b>(200 000)</b>	<b>53 840 000</b>	<b>72 046 408</b>	<b>18 206 408</b>	
'Total revenue from exchange transactions'	131 351 000	3 200 000	<b>134 551 000</b>	95 908 721	<b>(38 642 279)</b>	
'Total revenue from non-exchange transactions'	54 040 000	(200 000)	<b>53 840 000</b>	72 046 408	<b>18 206 408</b>	
<b>Total revenue</b>	<b>185 391 000</b>	<b>3 000 000</b>	<b>188 391 000</b>	<b>167 955 129</b>	<b>(20 435 871)</b>	
<b>Expenditure</b>						
Personnel	(57 707 000)	(3 376 000)	<b>(61 083 000)</b>	(53 668 169)	<b>7 414 831</b>	46
Remuneration of councillors	(2 892 000)	(100 000)	<b>(2 992 000)</b>	(2 944 415)	<b>47 585</b>	
Depreciation and amortisation	(30 125 000)	-	<b>(30 125 000)</b>	(7 604 212)	<b>22 520 788</b>	46
Finance costs	(388 000)	-	<b>(388 000)</b>	(2 544 938)	<b>(2 156 938)</b>	46
Debt impairment	(18 792 000)	-	<b>(18 792 000)</b>	(11 357 221)	<b>7 434 779</b>	46
Repairs and maintenance	-	-	-	(3 890 542)	<b>(3 890 542)</b>	46
Bulk purchases	(32 800 000)	(6 800 000)	<b>(39 600 000)</b>	(62 219 106)	<b>(22 619 106)</b>	46
General Expenses	(50 724 000)	(3 947 000)	<b>(54 671 000)</b>	(36 466 462)	<b>18 204 538</b>	46
<b>Total expenditure</b>	<b>(193 428 000)</b>	<b>(14 223 000)</b>	<b>(207 651 000)</b>	<b>(180 695 065)</b>	<b>26 955 935</b>	
	185 391 000	3 000 000	<b>188 391 000</b>	167 955 129	<b>(20 435 871)</b>	46
	(193 428 000)	(14 223 000)	<b>(207 651 000)</b>	(180 695 065)	<b>26 955 935</b>	46
<b>Operating deficit</b>	<b>(8 037 000)</b>	<b>(11 223 000)</b>	<b>(19 260 000)</b>	<b>(12 739 936)</b>	<b>6 520 064</b>	
Gain on disposal of assets and liabilities	14 760 000	-	<b>14 760 000</b>	15 395 263	<b>635 263</b>	
	(8 037 000)	(11 223 000)	<b>(19 260 000)</b>	(12 739 936)	<b>6 520 064</b>	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	14 760 000	-	<b>14 760 000</b>	15 395 263	<b>635 263</b>	
<b>Surplus before taxation</b>	<b>6 723 000</b>	<b>(11 223 000)</b>	<b>(4 500 000)</b>	<b>2 655 327</b>	<b>7 155 327</b>	
Deficit before taxation	6 723 000	(11 223 000)	<b>(4 500 000)</b>	2 655 327	<b>7 155 327</b>	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>6 723 000</b>	<b>(11 223 000)</b>	<b>(4 500 000)</b>	<b>2 655 327</b>	<b>7 155 327</b>	

# Tsantsabane Local Municipality

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Investment property

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

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

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

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

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

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

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

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## Accounting Policies

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### 1.3 Investment property (continued)

#### Cost model

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any change in estimate accounted for on a prospective basis. Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### 1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

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

Depreciation is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated as it has an indefinite life.

#### Subsequent Measurement - Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended be management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any change in estimate accounted for on a prospective basis. Depreciation are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Depreciation 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.

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

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

<b>Item</b>	<b>Average useful life</b>
Buildings	6 - 19
Plant and machinery	3 - 14
Furniture and fixtures	4 - 15
Motor vehicles	4 - 9
Office equipment	3 - 10
Infrastructure	
• Roads and Paving	5 - 50
• Electricity	5 - 50
• Water	3 - 100
• Sewerage	6 - 100
Community	
• Buildings	5 - 30
• Landfill sites	11
Other property, plant and equipment	
• Emergency equipment	5 - 10
Other equipment	3 - 5
Investment property	
• Buildings	30

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

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

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

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## Accounting Policies

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### 1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

The amortisation 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 estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

<b>Item</b>	<b>Useful life</b>
Licenses and franchises	3 - 7 years or licence period
Computer software, other	3 - 7 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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### 1.6 Financial instruments

Financial instruments recognised on the Statement of Financial Position includes receivables ( both from non- exchange transactions and non-exchange transactions), cash and cash equivalents ( includes non-current investments), annuity loans and payables (both form exchange and non-exchange transactions).

#### 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 or residual interest not at fair value plus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets are recognised at amortised cost.

#### Subsequent measurement of financial assets and financial liabilities

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

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

#### Receivables:

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial asset that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments ( more than 90 days overdue). if the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which impairment loss is, or continue to be, recognised are no included in a collective assessment of impairment. The municipality assess for impairment at the end of each reporting period.

If there is objective evidence that an impairment has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows ( excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account.

### 1.7 Leases

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

Property, plant and equipment of intangible assets ( excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights ) subject to finance lease agreements are intially recognised at lower of the asset's fair value and the present value of the minimum lease payments.

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

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### 1.7 Leases (continued)

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unwarranted residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

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

#### Finance leases - lessee

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

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

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

#### Operating leases - lessor

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

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

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.



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### 1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other cost in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, cost includes the cost of labour, material and overheads used during the manufacturing process.

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

#### 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.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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 or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water inventory is measured annually at the reporting date by the way dip readings and calculating volume in the distribution network. Cost of land held for sale is assigned by using specific identification of their individual costs.

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

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

### 1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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### 1.10 Impairment of cash-generating assets

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

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### External sources of information.

During the period an asset's market value has declined significantly more than would be expected as a result of passage of time or normal use.

Significant changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technology, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

### Cash-generating units

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost 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.

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

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 in the prior years. Such reversal is recognised in the Statement of Financial Performance.

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### 1.10 Impairment of cash-generating assets (continued)

#### Redesignation

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 in the prior years. Such reversal is recognised in the Statement of Financial Performance.

### 1.11 Impairment of non-cash-generating assets

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

Cessation, or near cessation, of demand or need for services provided by the asset.

Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technology, legal or government policy environment in which the Municipality operates.

#### (b) Internal sources of information

Evidence is available of obsolescence or physical damage of an asset:

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

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

#### Service units approach

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

### 1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.13 Employee benefits

#### Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. 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 present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits ( using a discount rate applicable to high quality government bonds). The plan is unfunded

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and 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.

#### Long service Awards

Long service awards are provided to employees who achieve certain pre-determined milestone of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off 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.

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.

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### 1.13 Employee benefits (continued)

#### Provision for Staff Leave

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

#### Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are on the employment contract stipulations as well as previous performance bonus payment trends.

#### Pension and retirement fund obligations

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

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefits are charged against income in the year they become payable. Defined benefit plan are post-employment benefits plans other than defined contribution plans. The defined benefit fund, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis.

Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contributions plans.

#### Other short-term Employee Benefits

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

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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### 1.14 Provisions and contingencies (continued)

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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 de-recognised

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

### 1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the municipality directly in the return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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### 1.15 Revenue from exchange transactions (continued)

Services charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. 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 sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 working days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Services 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 based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity 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; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the good or service

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



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## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

### 1.16 Revenue from non-exchange transactions

Revenue from non - exchange transactions refers to transactions where the municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non - exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fine and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability)

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.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality

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 the prescribed debt principle as enforced by the law. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set 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.

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

When, as a result of a non - exchange transaction, a 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 the net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable events occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

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## Accounting Policies

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### 1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

### 1.18 Materiality

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

### 1.19 Comparative Information

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grants that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.22 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23 Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

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

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

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

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised - March 2012) has been made.

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## Accounting Policies

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### 1.24 Unspent conditional government grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position . They represent unspent government grants, subsidies and contributions from the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When the grant conditions are met on an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality 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 of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 Unpaid conditional government grants and receipts

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

The following provisions are set for the creation and utilisation of the grant is receivables.

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

#### 2.2 Standards and interpretations not yet effective or relevant

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

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

### 3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3 813 380	(510 534)	3 302 846	3 813 380	(437 648)	3 375 732

#### Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	3 375 732	(72 886)	3 302 846

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	3 448 617	(72 885)	3 375 732

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

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### 4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	42 784 745	-	42 784 745	42 784 745	-	42 784 745
Buildings	14 230 756	(2 350 538)	11 880 218	14 230 756	(2 350 538)	11 880 218
Infrastructure	842 794 732	(83 246 306)	759 548 426	842 794 732	(83 246 306)	759 548 426
Landfill Sites	3 259 674	(544 419)	2 715 255	3 259 674	(544 419)	2 715 255
Other property, plant and equipment	18 972 757	(14 159 916)	4 812 841	21 313 683	(18 719 658)	2 594 025
Leased Assets	10 540 850	(1 416 222)	9 124 628	1 653 854	(1 416 222)	237 632
Work in Progress	38 036 937	-	38 036 937	22 298 115	-	22 298 115
<b>Total</b>	<b>970 620 451</b>	<b>(101 717 401)</b>	<b>868 903 050</b>	<b>948 335 559</b>	<b>(106 277 143)</b>	<b>842 058 416</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Revaluations	Other changes, movements	Total
Land	42 784 745	-	-	-	42 784 745
Buildings	11 880 218	-	-	-	11 880 218
Infrastructure	759 548 426	-	-	-	759 548 426
Landfills	2 715 255	-	-	-	2 715 255
Other property, plant and equipment	2 594 025	1 091 655	-	1 127 161	4 812 841
Leased Assets	237 632	167 731	8 719 265	-	9 124 628
Work in progress	22 298 115	38 036 937	(22 298 115)	-	38 036 937
	<b>842 058 416</b>	<b>39 296 323</b>	<b>(13 578 850)</b>	<b>1 127 161</b>	<b>868 903 050</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	43 992 845	-	(1 208 100)	-	-	42 784 745
Buildings	12 362 452	-	-	(482 234)	-	11 880 218
Infrastructure	765 088 675	-	-	-	(5 540 249)	759 548 426
Landfills	3 011 386	-	-	-	(296 131)	2 715 255
Other property, plant and equipment	5 054 290	711 757	-	(1 811 326)	(1 360 696)	2 594 025
Leased Assets	165 009	167 731	-	-	(95 108)	237 632
Work in Progress	-	22 298 115	-	-	-	22 298 115
	<b>829 674 657</b>	<b>23 177 603</b>	<b>(1 208 100)</b>	<b>(2 293 560)</b>	<b>(7 292 184)</b>	<b>842 058 416</b>

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

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### 5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	2 178 141	(1 827 405)	350 736	2 178 141	(1 827 405)	350 736

### 6. Operating lease asset (accrual)

This amount represents individuals who occupy municipal properties but have made no payments.

### 7. Employee benefit obligations

#### Defined benefit plan

The municipality contributes to the medical aid of some of its former retired employees. An actuarial valuation was conducted to determine the value of the future obligation of the municipality. The actuarial valuation determined that the retirement plan was in a sound financial position. The full valuation report is available and contains more details of the obligation.

The plan is a post employment medical benefit plan.

#### Post retirement medical aid plan

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

#### Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(9 697 000)	(9 207 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	9 207 000	11 534 350
Net expense recognised in the statement of financial performance	490 000	(2 327 350)
	<b>9 697 000</b>	<b>9 207 000</b>

Net expense recognised in the statement of financial performance

Current service cost	316 000	645 160
Interest cost	814 000	1 023 334
Actuarial (gains) losses	(594 753)	(513 130)
Settlement	(45 247)	(3 482 714)
	<b>490 000</b>	<b>(2 327 350)</b>

### 8. Inventories

Bulk Electricity	376 483	189 903
Consumables	409 623	660 183
Unsold Properties Held for Resale	-	1 208 100
Water	79 175	88 927
	<b>865 281</b>	<b>2 147 113</b>

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<b>9. Receivables from exchange transactions</b>		
Deposits	24 000	24 000
Deposits - Eskom	20 607	94 410
Housing Debtor	17 448 000	17 448 000
Liberty and Stanlib	106 671	122 958
NC Department of transport	(1 178 584)	390 088
Land sales debtors	14 587 788	-
Sundry Debtor - COGSTHA	458 129	463 396
Sundry Debtor - MM.Moselane	336 051	336 051
Sundry Debtor - OJ Isaacs	201 734	201 734
Sundry Debtor - S.Henga	181 423	181 423
	<b>32 185 819</b>	<b>19 262 060</b>
<b>10. Receivables from non-exchange transactions</b>		
Department of Health Grant	2 886 000	2 886 000
Property Rates	19 139 510	14 250 715
	<b>22 025 510</b>	<b>17 136 715</b>
<b>11. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	10 390 742	11 917 614
Miscellaneous	1 066 779	2 457 229
Miscellaneous no vat	2 438 106	2 437 596
Refuse	18 039 563	16 523 402
Sewerage	31 958 681	27 306 709
Water	51 847 939	43 308 993
	<b>115 741 810</b>	<b>103 951 543</b>
<b>Less: Allowance for impairment</b>		
Electricity	(3 117 084)	(5 879 903)
Miscellaneous	(3 335 805)	(4 795 433)
Rates	(13 417 926)	(9 891 955)
Refuse	(15 628 510)	(15 466 149)
Sewerage	(28 562 521)	(24 897 260)
Water	(47 548 000)	(39 933 430)
Other (specify)	(1 089)	(87 692)
	<b>(111 610 935)</b>	<b>(100 951 822)</b>
<b>Net balance</b>		
Electricity	7 273 658	6 037 711
Miscellaneous No Vat	(2 269 026)	(2 338 204)
Miscellaneous Vat	2 438 106	2 437 596
Rates	(13 417 926)	(9 891 955)
Refuse	2 411 053	1 057 253
Sewerage	3 396 160	2 409 449
Water	4 299 939	3 375 563
Other (specify)	(1 089)	(87 692)
	<b>4 130 875</b>	<b>2 999 721</b>

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## Notes to the Annual Financial Statements

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<b>11. Consumer debtors (continued)</b>		
<b>Included in above is receivables from exchange transactions</b>		
Electricity	4 105 730	6 037 711
Miscellaneous Vat	(124 426)	(124 936)
Miscellaneous No Vat	(1 115 113)	224 328
Refuse	2 760 796	1 057 253
Sewerage	7 119 884	2 409 449
Water	11 552 452	3 375 563
	<b>24 299 323</b>	<b>12 979 368</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Other (specify)	(87 692)	(87 692)
<b>Net balance</b>	<b>24 211 631</b>	<b>12 891 676</b>
<b>Electricity</b>		
Current (0 -30 days)	402 499	213 592
31 - 60 days	211 825	208 476
61 - 90 days	390 126	164 830
91 - 120 days	511 659	152 752
121 - 365 days	1 887 566	160 065
> 365 days	3 869 983	5 137 996
	<b>7 273 658</b>	<b>6 037 711</b>
<b>Water</b>		
Current (0 -30 days)	131 694	119 415
31 - 60 days	902 267	116 555
61 - 90 days	1 079 742	92 153
91 - 120 days	1 057 027	85 400
121 - 365 days	1 129 209	89 489
> 365 days	-	2 872 550
	<b>4 299 939</b>	<b>3 375 562</b>
<b>Sewerage</b>		
Current (0 -30 days)	800 931	85 238
31 - 60 days	629 165	83 196
61 - 90 days	576 595	65 778
91 - 120 days	560 273	60 958
121 - 365 days	829 196	63 876
> 365 days	-	2 050 403
	<b>3 396 160</b>	<b>2 409 449</b>
<b>Refuse</b>		
Current (0 -30 days)	474 951	37 402
31 - 60 days	425 539	36 506
61 - 90 days	368 753	28 863
91 - 120 days	336 773	26 748
121 - 365 days	805 037	28 029
> 365 days	-	899 705
	<b>2 411 053</b>	<b>1 057 253</b>



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### 11. Consumer debtors (continued)

#### Miscellaneous

Current (0 -30 days)	-	(4 420)
31 - 60 days	-	(4 314)
61 - 90 days	-	(3 411)
91 - 120 days	-	(3 161)
121 - 365 days	-	(3 312)
> 365 days	-	(106 319)
	-	<b>(124 937)</b>

#### Miscellaneous No Vat

Current (0 -30 days)	-	7 936
31 - 60 days	-	7 746
61 - 90 days	-	6 124
91 - 120 days	-	5 675
121 - 365 days	-	5 947
> 365 days	-	190 900
	-	<b>224 328</b>

#### Other (specify)

Current (0 -30 days)	-	(3 102)
31 - 60 days	-	(3 028)
61 - 90 days	-	(2 394)
91 - 120 days	-	(2 219)
121 - 365 days	-	(2 325)
> 365 days	(1 089)	(74 624)
	<b>(1 089)</b>	<b>(87 692)</b>

# Tsantsabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>11. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	2 664 925	3 155 686
31 - 60 days	1 864 856	2 985 601
61 - 90 days	1 951 393	2 571 220
91 - 120 days	1 903 872	2 335 388
121 - 365 days	14 530 848	17 796 007
> 365 days	75 014 819	65 009 049
	<u>97 930 713</u>	<u>93 852 951</u>
Less: Allowance for impairment	(93 276 979)	(84 330 171)
	<b>4 653 734</b>	<b>9 522 780</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	778 923	1 535 911
31 - 60 days	439 250	653 465
61 - 90 days	534 491	326 401
91 - 120 days	754 972	344 219
121 - 365 days	4 250 989	3 093 881
> 365 days	10 591 698	5 563 090
	<u>17 350 323</u>	<u>11 516 967</u>
Less: Allowance for impairment	(14 418 214)	(10 663 715)
	<b>2 932 109</b>	<b>853 252</b>
<b>National and provincial government</b>		
Current (0 -30 days)	397 744	321 193
31 - 60 days	280 052	179 042
61 - 90 days	317 141	192 074
91 - 120 days	286 662	170 985
121 - 365 days	3 247 785	2 336 859
> 365 days	11 482 070	4 419 908
	<u>16 011 454</u>	<u>7 620 061</u>
Less: Allowance for impairment	(12 394 705)	(6 495 588)
	<b>3 616 749</b>	<b>1 124 473</b>
<b>Total</b>		
Current (0 -30 days)	3 841 593	5 419 543
31 - 60 days	2 584 158	3 961 368
61 - 90 days	2 803 025	3 132 030
91 - 120 days	2 945 505	2 902 517
121 - 365 days	22 029 621	23 609 271
> 365 days	97 088 587	77 061 975
	<u>131 292 489</u>	<u>116 086 704</u>
Less: Allowance for impairment	(127 161 614)	(100 951 822)
	<b>4 130 875</b>	<b>15 134 882</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(91 059 867)	(69 076 875)
Contributions to allowance	(20 551 068)	(31 874 947)
	<u>(111 610 935)</u>	<u>(100 951 822)</u>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>12. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank overdraft	(639 993)	(18 593 296)
Cash on hand	2 750	2 750
Short term investments	10 369 692	13 889 665
	<b>9 732 449</b>	<b>(4 700 881)</b>
Current assets	10 372 442	13 892 415
Current liabilities	(639 993)	(18 593 296)
	<b>9 732 449</b>	<b>(4 700 881)</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Fixed Deposit - 20-5952-4576	585 753	559 820	526 572	585 753	559 820	-
Absa BANK - Fixed Deposit - 20-6256-9642	281 404	281 404	281 404	281 404	281 404	-
Absa BANK - Fixed Deposit - 20-7031-7223	8 200 000	8 200 000	8 200 000	8 200 000	8 650 857	-
ABSA BANK - Cheque Account - 230035868	134 281	7 992 080	-	(639 923)	(18 593 296)	(12 009 588)
Absa BANK - Notice Deposit - 40-8431-6585	-	-	2 197 325	-	-	-
Absa BANK - Savings Account - 91-1896-0103	1 906	1 906	1 906	1 906	1 906	-
Absa BANK - Savings Account - 91-4243-0487	195 841	47 953	2 769 154	195 841	47 953	-
Absa BANK - Savings Account - 91-4992-3609	1 000	891 000	1 000	1 000	891 000	-
Absa BANK - Savings Account - 91-4992-3764	999 268	2 181 360	5 432 609	999 268	2 181 360	-
Absa BANK - Savings Account - 91-5766-2037	10 708	1 265 286	1 244 176	10 708	1 282 112	-
Absa BANK - Savings Account - 91-9325-6761	1 578	1 578	1 578	1 578	1 578	-
Absa BANK - Savings Account - 91-9997-6220	2 500	2 500	3 001 285	2 500	2 500	-
Absa BANK - Savings Account - 91-6852-8140	2 469	2 398	1 865	2 469	2 398	-
Absa BANK - Savings Account - 92-7098-3578	1 007	1 001	1 000	1 007	1 001	-
Absa BANK - Savings Account - 91-7572-2826	6 013	5 636	1 000	6 013	(14 000)	-
Absa BANK - Savings Account - 92-9751-0142	80 243	-	-	80 243	-	-
<b>Total</b>	<b>10 503 971</b>	<b>21 433 922</b>	<b>23 660 874</b>	<b>9 729 767</b>	<b>(4 703 407)</b>	<b>(12 009 588)</b>

# Tsantsabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	130 130
- in second to fifth year inclusive	-	228 141
	-	358 271
less: future finance charges	-	(41 526)
<b>Present value of minimum lease payments</b>	-	<b>316 745</b>
Non-current liabilities	6 184 372	210 125
Current liabilities	2 918 006	106 620
	<b>9 102 378</b>	<b>316 745</b>

It is municipality policy to lease certain motor vehicles and office equipment under finance leases.

The average lease term was 3 - 5 years and the average effective borrowing rate was -% (2014: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Assmang/Kumba Sewer Plant	-	263 226
Dep of Local Housing	-	257 108
Dept of Arts and Culture	-	(375 827)
Dept of Water Affairs	-	11 396 817
E - Learning (Library)	-	1 052 632
Finance Management Grant	6 013	-
Kumba Projects	999 268	1 060 762
Library	10 708	2 021 723
Lotto	1 906	26 008
Municipal Infrastructure Grant	195 840	2 164 394
Roget Beneke	1 684 120	719 903
	<b>2 897 855</b>	<b>18 586 746</b>

See note 23 for reconciliation of grants from National/Provincial Government.

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

# Tsantsabane Local Municipality

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## Notes to the Annual Financial Statements

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### 15. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial gains or (losses)	Total
Environmental rehabilitation	5 937 998	-	-	137 112	-	6 075 110
Long service awards	2 243 000	290 000	(117 712)	175 000	(221 288)	2 369 000
	<b>8 180 998</b>	<b>290 000</b>	<b>(117 712)</b>	<b>312 112</b>	<b>(221 288)</b>	<b>8 444 110</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Unwinding of provision	Actuarial gains or (losses)	Total
Environmental rehabilitation	5 800 886	-	-	137 112	-	5 937 998
Long service awards	2 111 595	155 859	(240 808)	132 223	84 131	2 243 000
	<b>7 912 481</b>	<b>155 859</b>	<b>(240 808)</b>	<b>269 335</b>	<b>84 131</b>	<b>8 180 998</b>

### 16. Long term loan

The Municipality acquired one loan from DBSA. The loan is repayable quarterly at the rate of 5%. The loan is redeemable on the 30 June 2017. The loan is unsecured. Further details of the loan are included in Appendix A to the annual financial statements.

### 17. Payables from exchange transactions

Debtors with credit balances	1 853 067	1 360 960
Deposits received	22 138	19 877
Retentions	2 675 720	2 675 720
Sundry creditors	13 077 046	4 847 612
Trade payables	53 063 819	17 080 292
Un-allocated Deposits	22 572 405	23 345 566
	<b>93 264 195</b>	<b>49 330 027</b>

### 18. VAT payable

Tax refunds payables	3 267 183	1 760 375
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### 19. Consumer deposits

Consumer debtors	1 959 533	1 730 241
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Figures in Rand	2015	2014
<b>20. Revenue</b>		
Donations received	236 597	532 016
Fees earned	14 411 465	874 141
Fines	91 369	81 269
Government grants & subsidies	47 609 599	61 488 324
Income from agency services	-	636 799
Insurance claims received	14 875	24 101
Interest received - investment	1 070 579	860 446
Licences and permits	211 263	262 888
Other income	816 041	3 398 583
Property rates	24 345 440	24 178 828
Rental income	143 472	292 567
Service charges	79 004 429	81 451 059
	<b>167 955 129</b>	<b>174 081 021</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Donations received	236 597	532 016
Fees earned	14 411 465	874 141
Income from agency services	-	636 799
Insurance claims received	14 875	24 101
Interest received - investment	1 070 579	860 446
Licences and permits	211 263	262 888
Other income - (rollup)	816 041	3 398 583
Rental income	143 472	292 567
Service charges	79 004 429	81 451 059
	<b>95 908 721</b>	<b>88 332 600</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	24 345 440	24 178 828
<b>Transfer revenue</b>		
Fines	91 369	81 269
Government grants & subsidies	47 609 599	61 488 324
	<b>72 046 408</b>	<b>85 748 421</b>
<b>21. Property rates</b>		
<b>Rates received</b>		
Residential	24 345 440	24 178 828
<b>22. Service charges</b>		
Refuse removal	8 685 858	10 998 938
Sale of electricity	38 176 286	38 009 896
Sale of water	18 129 916	18 974 522
	<b>64 992 060</b>	<b>67 983 356</b>

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Figures in Rand	2015	2014
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
EPWP Grant	1 000 000	1 000 000
Equitable share	24 906 438	26 148 314
FMG Grant	1 806 515	1 650 000
Kolomela - Sedibeng	-	7 000 000
Library Grant	1 896 015	621 034
MSIG Grant	934 000	890 000
R. Beneke Grant	964 218	859 523
Health Grant	359 221	-
<b>Capital grants</b>		
Housing: Green Water	-	3 036 463
Housing: Maranteng	(1 046 855)	4 692 795
Kumba Grant	61 494	3 657 179
MIG Grant	16 728 553	11 933 016
	<b>47 609 599</b>	<b>61 488 324</b>
<b>Housing grant</b>		
Balance unspent at beginning of year	257 108	(19 569)
Current-year receipts	(257 108)	7 909 035
Conditions met - transferred to revenue	-	(7 632 358)
	<b>-</b>	<b>257 108</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>MIG</b>		
Balance unspent at beginning of year	2 164 394	4 575 410
Current-year receipts	14 760 000	9 522 000
Conditions met - transferred to revenue	(16 728 554)	(11 933 016)
	<b>195 840</b>	<b>2 164 394</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>MSIG</b>		
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>FMG</b>		
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 793 987)	(1 650 000)
	<b>6 013</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>DWAF</b>		
Balance unspent at beginning of year	11 396 817	11 396 817

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Government grants and subsidies (continued)</b>		
Other write-off	(11 396 817)	-
	-	<b>11 396 817</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>ROGET</b>		
Balance unspent at beginning of year	719 902	615 208
Current-year receipts	1 928 435	964 217
Conditions met - transferred to revenue	(1 928 434)	(859 523)
Other	964 217	-
	<b>1 684 120</b>	<b>719 902</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>KUMBA/ASSMANG SEWERAGE</b>		
Balance unspent at beginning of year	263 226	43 489
Current-year receipts	-	219 737
Other write-off	(263 226)	-
	-	<b>263 226</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>TSASAMBA/KUMBA</b>		
Balance unspent at beginning of year	1 060 762	4 717 941
Current-year receipts	(61 494)	-
Conditions met - transferred to revenue	-	(3 657 179)
	<b>999 268</b>	<b>1 060 762</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>HEALTH GRANT</b>		
Balance unspent at beginning of year	(375 827)	(641 855)
Current-year receipts	375 827	266 028
	-	<b>(375 827)</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>KOLOMELA E-LEARNING</b>		
Balance unspent at beginning of year	1 052 632	1 052 632
Other	(1 052 632)	-
	-	<b>1 052 632</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>LIBRARY GRANT</b>		
Balance unspent at beginning of year	2 021 723	2 020 757
Current-year receipts	1 085 000	622 000
Conditions met - transferred to revenue	(3 096 015)	(621 034)



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Figures in Rand	2015	2014
<b>23. Government grants and subsidies (continued)</b>		
	<b>10 708</b>	<b>2 021 723</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>EPWP</b>		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<b>KOLOMELA - (SEDIBENG GRANT)</b>		
Current-year receipts	-	(7 000 000)
Conditions met - transferred to revenue	-	7 000 000
	-	-
Conditions still to be met - remain liabilities (see note 14).		
<b>LOTTO PROJECT GRANT</b>		
Balance unspent at beginning of year	26 008	26 008
Current-year receipts	(24 102)	-
	<b>1 906</b>	<b>26 008</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>24. Other revenue</b>		
Donations	236 597	532 016
Fees earned	14 411 465	874 141
Insurance Claim Refund	14 875	24 101
Other income - (rollup)	816 041	3 398 583
Rental income - third party	143 472	292 567
	<b>15 622 450</b>	<b>5 121 408</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>25. General expenses</b>		
Advertising	238 836	257 294
Auditors remuneration	6 039 881	3 828 061
Bank charges	341 403	349 546
Chemical expenses	497 551	483 375
Cleaning Materials	54 268	107 523
Conferences and seminars	-	36 970
Consulting and professional fees	1 340 494	9 746 384
Delivery expenses	2 090	3 110
Electricity	788 904	756 067
Entertainment	40 504	136 032
Fines and penalties	-	298 859
Gifts	-	702
Grants and subsidies paid	10 412 242	8 376 895
Insurance	317 482	304 503
Lease rentals on operating lease	5 294	-
Motor vehicle expenses	3 135 139	1 897 932
Operating grant expenditure	5 305 731	243 311
Other expenses	3 390 383	1 693 584
Postage and courier	320 257	254 096
Printing and stationery	342 540	396 627
Protective clothing	163 791	211 414
Refuse	(1 500)	-
Royalties and license fees	822 674	894 560
Sale of goods	1 208 100	-
Subscriptions and membership fees	342 128	1 129 264
Telephone and fax	839 862	881 225
Training	199 986	504 395
Travel - local	318 422	882 516
Uniforms	-	113
	<b>36 466 462</b>	<b>33 674 358</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>26. Employee related costs</b>		
13th Cheques	2 221 399	2 087 652
Basic	32 752 747	28 763 401
Cellphone Allowance	4 318	16 757
Extra Ordinary Compensation	9 553	18 978
Housing benefits and allowances	70 121	50 938
Leave provision expense	109 850	293 050
Long-service awards	290 000	172 810
Medical aid - company contributions	1 862 278	1 517 074
Other payroll levies	20 030	17 604
Overtime payments	5 372 763	4 439 566
Pension fund contribution	4 500 296	3 952 223
Protective Clothing	-	145
Provident fund contribution	117 700	127 200
SDL	933 080	385 015
Standby Allowance	627 230	598 830
Travel, motor car, accommodation, subsistence and other allowances	4 369 568	3 910 976
UIF	337 942	301 367
WCA	69 294	-
	<b>53 668 169</b>	<b>46 653 586</b>

### Remuneration of municipal manager

Annual Remuneration	959 111	599 972
Car Allowance	249 268	124 500
Cellphone allowance	30 000	-
Housing subsidy	18 260	-
Subsistence allowance	2 010	-
	<b>1 258 649</b>	<b>724 472</b>

H.G Mathobela has been appointed in the position of Municipal Manager from February 2014.

O. J Isaacs have been acting Municipal Manager from September 2013 up until January 2014

### Remuneration of chief finance officer

Annual Remuneration	498 462	440 605
Car Allowance	278 408	103 858
Performance Bonuses	41 538	-
Cellphone allowance	22 800	-
Housing subsidy	7 948	-
Subsistence allowance	5 321	-
	<b>854 477</b>	<b>544 463</b>

A.Kooverjee has been appointed in the position of Chief Financial Officer from February 2014.

I.C. Nkadamang has been acting Chief Financial Officer from July 2013 up until January 2014.

### Remuneration of Technical Director

Annual Remuneration	537 841	438 088
Car Allowance	366 270	147 624
Cellphone allowance	22 800	-
Housing subsidy	13 464	-
Subsistence allowance	2 010	-

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>26. Employee related costs (continued)</b>	<b>942 385</b>	<b>585 712</b>
M. Links has been appointed in the position of Technical Director from February 2014.		
J.P. Majiedt has been acting Technical Director from July 2013 up until January 2014.		
<b>Corporate and human resources (corporate services)</b>		
Annual Remuneration	621 381	526 078
Car Allowance	290 207	203 618
Cellphone allowance	22 800	-
Housing subsidy	13 872	-
Subsistence allowance	5 695	-
	<b>953 955</b>	<b>729 696</b>
I.C. Nkadimang has been appointed in the position of Corporate Services Director from February 2014.		
O.J. Isaacs has been in the position of Corporate Services Director from July 2013 up until January 2014.		
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	541 935	517 110
Car Allowance	351 870	267 084
Cellphone allowance	22 800	-
Housing subsidy	13 464	-
	<b>930 069</b>	<b>784 194</b>
<b>27. Remuneration of councillors</b>		
Councillors	2 943 808	3 830 597
Industrial Council	607	610
	<b>2 944 415</b>	<b>3 831 207</b>
<b>28. Debt impairment</b>		
Debt impairment	11 357 221	19 145 610
<b>29. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1 070 579	860 446
	-	-
	<b>1 070 579</b>	<b>860 446</b>
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	7 604 212	26 082 590

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>31. Finance costs</b>		
Actuarial Interest	989 000	1 155 557
Bank	-	959
Current borrowings	231 143	237 351
Finance leases	24 723	73 087
Trade and other payables	1 300 072	2 867 361
	<b>2 544 938</b>	<b>4 334 315</b>
<b>32. Auditors' remuneration</b>		
Fees	6 039 881	3 828 061
<b>33. Bulk purchases</b>		
Electricity	34 902 610	26 902 790
Water	27 316 496	10 903 979
	<b>62 219 106</b>	<b>37 806 769</b>
<b>34. Cash generated from (used in) operations</b>		
Surplus	2 655 327	28 053 689
<b>Adjustments for:</b>		
Depreciation and amortisation	7 604 212	26 082 590
Loss on sale of assets and liabilities	(15 395 263)	(29 000 000)
Finance costs - Finance leases	24 723	73 087
Debt impairment	11 357 221	19 145 610
Movements in operating lease assets and accruals	-	(24 883)
Movements in retirement benefit assets and liabilities	490 000	(2 327 351)
Movements in provisions	263 112	(3 801 459)
Other non-cash items	22 208 773	(15 363 160)
<b>Changes in working capital:</b>		
Inventories	1 281 832	(1 571 660)
Receivables from exchange transactions	(12 923 759)	(18 803 937)
Consumer debtors	(12 488 375)	(20 766 909)
Other receivables from non-exchange transactions	(4 888 795)	(3 665 033)
Payables from exchange transactions	43 934 171	9 638 936
VAT	1 506 808	(3 975 933)
Unspent conditional grants and receipts	(15 688 891)	(5 200 092)
Consumer deposits	229 292	346 789
Short term portion of long term loan	(45 414)	(2 387)
	<b>30 124 974</b>	<b>(21 162 103)</b>
<b>35. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	-	12 429 490
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	-	14 760 000

# Tsantsabane Local Municipality

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## Notes to the Annual Financial Statements

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### 36. Contingencies

The municipality is involved in legal battle relating to a transfer of property by a company. The financial impact of matters is unknown

The municipality is plaintiff in a case relating to a project for construction of paving and another case with a different contractor relating to payments of a construction project. The financial impact of both matters is unknown.

An individual is demanding an amount of R 8,000,000 from the municipality in relation to repairs made at a municipal property while the municipality wishes to take back the said property.

### 37. Prior period errors

1. Certain property plant and equipment was incorrectly included as part of investment register. This has been corrected.

2. Local housing grant has been adjusted to reflect conditions met not reported and therefore reduce the liability.

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

#### Statement of financial position

Investment property	-	(2 710 782)
Unspent conditional grants and receipts	-	(429 211)
Provisions	-	(4 418 248)

### 38. Risk management

#### Financial risk management

##### Liquidity risk

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

##### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

### 39. Going concern

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

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

### 40. Events after the reporting date

There were no material events after reporting date which required disclosure.

# Tsantsabane Local Municipality

(Registration number NC 085)

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## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>41. Unauthorised expenditure</b>		
Opening Balance	339 782 952	328 397 318
Add: Unauthorised Expenditure - current year	6 155 327	11 385 634
<b>Under investigation by council</b>	<b>345 938 279</b>	<b>339 782 952</b>
<b>42. Fruitless and wasteful expenditure</b>		
Opening Balance	45 284 951	42 417 590
Add: Fruitless and Wasteful Expenditure - current year	1 300 071	2 867 361
Less: VAT penalty from previous year written off by SARS	(25 360 717)	-
<b>Under investigation by council</b>	<b>21 224 305</b>	<b>45 284 951</b>
<b>43. Irregular expenditure</b>		
Opening balance	58 074 340	53 911 678
Add: Irregular Expenditure - current year	3 901 168	4 162 662
<b>Under investigation by council</b>	<b>61 975 508</b>	<b>58 074 340</b>
<b>44. In-kind donations and assistance</b>		
<b>Donor</b>		
Other donors	236 597	532 016
<b>45. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	3 828 061	2 346 505
Current year subscription / fee	6 039 881	3 828 061
Amount paid - previous years	(2 263 725)	(2 346 505)
	<b>7 604 217</b>	<b>3 828 061</b>
<b>PAYE and UIF</b>		
Opening balance	58 024	58 024
Current year subscription / fee	3 674 980	2 179 722
Amount paid - current year	(3 674 980)	(2 179 722)
	<b>58 024</b>	<b>58 024</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	1 286 888	1 103 680
Current year subscription / fee	6 091 821	5 469 297
Amount paid - current year	(6 091 821)	(5 286 089)
	<b>1 286 888</b>	<b>1 286 888</b>
<b>VAT</b>		
VAT payable	3 267 183	1 760 375

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

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

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## Notes to the Annual Financial Statements

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

#### Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
SR De Bruin	659	371	1 030
M Mashilishili	1 234	12 999	14 233
OM Mabilo	2 533	-	2 533
W Bessies	630	17 180	17 810
AEM Oliphant	53	18	71
A Oliphant	659	965	1 624
	<b>5 768</b>	<b>31 533</b>	<b>37 301</b>

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
E.R.J. Phete	1 783	75 655	77 438
M. Mashila	907	5 355	6 262
J.J. Swart	1 191	-	1 191
J. Tonyane	349	18 806	19 155
S.R. De Bruin	45 211	84 290	129 501
M. Oliphant	1 284	3 508	4 792
J. Rooiland	717	-	717
W. Bessies	1 575	15 781	17 356
O.J. Kgoronyane	37	123	160
M. Mabilo	61	164	225
	<b>53 115</b>	<b>203 682</b>	<b>256 797</b>

### 46. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget was due to unplanned expenses.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of adjustment of the budget as part of the mid-term financial review process.



**Tsantsabane Local Municipality  
Appendix A**

**Schedule of external loans as at 30 June 2015**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2014</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2015</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
	61007013 30 June 2017	1 293 269	-	596 907	696 362	-	-
		<b>1 293 269</b>	<b>-</b>	<b>596 907</b>	<b>696 362</b>	<b>-</b>	<b>-</b>
<b>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
	Development Bank of South Africa	1 293 269	-	596 907	696 362	-	-
		<b>1 293 269</b>	<b>-</b>	<b>596 907</b>	<b>696 362</b>	<b>-</b>	<b>-</b>

Tsantsabane Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Municipal Finance Management Grant	National Treasury	00 000	-	-	-	-	50 000	50 000	50 000	-	50 000	-	-	-	-	-	-	Yes	
Extended Public Works Programme	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	National Treasury	934 000	-	-	-	-	186 800	186 800	186 800	186 800	186 800	-	-	-	-	-	-	Yes	
Municipal Infrastructure Grant	National Treasury	3 760 000	4 000 000	7 000 000	-	-	-	-	-	-	-	2 164 000	-	-	-	-	Unspent grant not rolled over withheld against equitable share	Yes	
Equitable share	National Treasury	10 716 000	9 023 000	-	7 331 000	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
		10 000	23 000	100 000	31 000	-	36 800	36 800	36 800	86 800	36 800	64 000	-	-	-	-			

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