

| Planning by | Reviewed | Performed by | Final review |
|-------------|----------|--------------|--------------|
|             |          |              |              |



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

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## General Information

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|--|--|
| <b>Legal form of entity</b>                                | Municipality in terms of section 1 of the Local Government:Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)  |
| <b>Nature of business and principal activities</b>         | Municipality   |
| <b>Legislation governing the municipality's operations</b> | Local Government:Municipal Finance Management Act (Act no.56 of 2003)<br>Local Government: Municipal Systems Act (Act 32 of 2000)<br>Local Government: Municipal Structures Act (Act 117 of 1998)<br>Constitution of the Republic of south Africa (Act 108 of 1998)<br>Property Rates Act (act of 6 2004)<br>Division of Revenue Act (Act 1 of 2007)   |
| <b>Mayoral committee</b>                                   |  |
| Executive Mayor  | Cllr K.C Seerane   |
|  | Speaker: Cllr.S.M. Thupane   |
|  | Chief Whip: Cllr.S.Dube  |
| Councillors  | MMC Finance: Cllr.F.O.Bhayat<br>MMC Human Settlement and Rural Development:Cllr.K.A.Setswalo-Moja<br>MMC Roads & Transport: Cllr.B.Friedman<br>MMC Corporate Support Services: Cllr.M.A.Mathibe<br>MMC Infrastructure Services: Cllr.S.Letsie<br>MMC Economic Services: Cllr.M.Khuzwayo<br>MMC Health and Social Services:Cllr.E.Mathe<br>MMC Intergrated Environment Management: Cllr.N.C Mangole<br>MMC Sports and Recreation: Cllr .N.Kufa<br>MMC Public Safety: Cllr.N.E.Mdlulwa |
| <b>Grading of local authority</b>                          | High Capacity(Grade 5)   |
| <b>Accounting Officer</b>                                  | Mr D.M Mashitisho  |
| <b>Chief Finance Officer (CFO)</b>                         | Mr. L.M.E Mahuma   |
| <b>Registered office</b>                                   | Civic Centre<br>Cnr Commissioner & Market Street<br>Krugersdorp<br>1740  |
| <b>Business address</b>                                    | Civic Centre<br>Cnr Commissioner & Market Street<br>Krugersdorp<br>1740  |
| <b>Postal address</b>                                      | P.O Box 94<br>Krugersdorp<br>1740  |
| <b>Bankers</b>   | Standard Bank of South Africa  |
| <b>Auditors</b>  | Auditor -General South Africa (AGSA)   |

# Mogale City Local Municipality

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### Abbreviations

|         |   |
|---------|---|
| COIDA   | Compensation for Occupational Injuries and Diseases Act               |
| GDCOGTA | Gauteng Department of Co-operative Governance and traditional Affairs |
| DBSA    | Development Bank of South Africa                                      |
| GRAP    | Generally Recognised Accounting Practice                              |
| MSIG    | Municipal System Improvement grant                                    |
| NDPG    | Neighbourhood development and partnership grant                       |
| GDARD   | Gauteng department of agriculture and rural development               |
| LGSETA  | Local Government Services Sector Education & Training Authority       |
| DHS     | Department of Human Settlement  |
| BKB     | Bontle ke Botho   |
| WRDM    | West Rand District Municipality                                       |
| MFMA    | Municipal Finance Management Act                                      |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                      |
| SRAC    | Sports, Recreation, Arts & Culture                                    |
| DOE     | Department of Energy  |
| GDS     | Gauteng Department of Social Development                              |

# Mogale City Local Municipality

(Registration number GT 481)

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 were given unrestricted access to all financial records and related data.

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

Although the management is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The annual financial statements set out on page 4 to 88, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2015:

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**Accounting Officer**  
**Dan Mashitsho**

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position

| Figures in Rand                            | Note(s) | 2015                 | 2014<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>ASSETS</b>                              |         |                      |                      |
| <b>CURRENT ASSETS</b>                      |         |                      |                      |
| Inventories                                | 2       | 15 159 398           | 14 057 661           |
| Receivables from non-exchange transactions | 3       | 209 128 384          | 144 299 811          |
| Receivable from exchange transactions      | 4       | 254 993 946          | 271 678 379          |
| Cash and cash equivalents                  | 5       | 165 853 425          | 96 704 604           |
| Operating lease asset                      | 6       | 191 997              | 296 263              |
|  |         | <b>645 327 150</b>   | <b>527 036 718</b>   |
| <b>NON-CURRENT ASSETS</b>                  |         |                      |                      |
| Investment property                        | 7       | 528 388 483          | 507 367 638          |
| Property, plant and equipment              | 8       | 5 391 433 881        | 5 220 624 872        |
| Intangible assets                          | 9       | 20 864 501           | 4 860 465            |
| Heritage assets                            | 10      | 1 555 766            | 1 552 150            |
| Financial assets                           | 11      | 61 607 559           | 53 934 765           |
|  |         | <b>6 003 850 190</b> | <b>5 788 339 890</b> |
| Non-Current Assets                         |         | 6 003 850 190        | 5 788 339 890        |
| Current Assets                             |         | 645 327 150          | 527 036 718          |
| <b>Total Assets</b>                        |         | <b>6 649 177 340</b> | <b>6 315 376 608</b> |
| <b>LIABILITIES</b>                         |         |                      |                      |
| <b>CURRENT LIABILITIES</b>                 |         |                      |                      |
| Employee benefit obligation                | 13      | 18 829 727           | 19 628 430           |
| Finance lease obligation                   | 14      | 3 884 181            | 2 643 739            |
| Unspent conditional grants and receipts    | 15      | 23 822 567           | 8 183 204            |
| Provisions                                 | 16      | 14 084 708           | 12 013 199           |
| Payables from exchange transactions        | 18      | 527 407 415          | 441 144 644          |
| Financial liabilities                      | 19      | 41 345 977           | 23 154 351           |
| Sundry deposits                            | 20      | 10 590 585           | 9 968 309            |
| VAT payable                                | 21      | 61 135 743           | 71 703 521           |
| Consumer deposits                          | 22      | 50 541 773           | 45 609 474           |
|  |         | <b>751 642 676</b>   | <b>634 048 871</b>   |
| <b>NON-CURRENT LIABILITIES</b>             |         |                      |                      |
| Employee benefit obligation                | 13      | 209 371 352          | 177 607 089          |
| Financial liabilities                      | 19      | 511 478 252          | 320 848 444          |
| Provisions                                 | 16      | 16 420 886           | 14 894 227           |
| Finance lease obligation                   | 14      | 7 675 114            | 969 241              |
|  |         | <b>744 945 604</b>   | <b>514 319 001</b>   |
| NON-CURRENT LIABILITIES                    |         | 744 945 604          | 514 319 001          |
| CURRENT LIABILITIES                        |         | 751 642 676          | 634 048 871          |
| <b>TOTAL LIABILITIES</b>                   |         | <b>1 496 588 280</b> | <b>1 148 367 872</b> |
| Assets                                     |         | 6 649 177 340        | 6 315 376 608        |
| LIABILITIES                                |         | (1 496 588 280)      | (1 148 367 872)      |
| <b>NET ASSETS</b>                          |         | <b>5 152 589 060</b> | <b>5 167 008 736</b> |
| <b>NET ASSETS</b>                          |         |                      |                      |
| Social Responsibility Fund                 |         | 10 390 763           | 7 210 624            |
| Accumulated surplus                        |         | 5 142 198 297        | 5 159 798 112        |
| <b>TOTAL NET ASSETS</b>                    |         | <b>5 152 589 060</b> | <b>5 167 008 736</b> |

\* See Note 44

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2015                   | 2014<br>Restated*      |
|---|---------|------------------------|------------------------|
| <b>Revenue</b>                                      |         |                        |                        |
| <b>Revenue from exchange transactions</b>           |         |                        |                        |
| Service charges                                     | 25      | 1 223 217 795          | 1 122 808 921          |
| Rental of facilities and equipment                  | 26      | 3 365 966              | 2 969 096              |
| Interest received - Outstanding debtors             |         | 22 291 041             | 14 517 937             |
| Income from agency services                         | 27      | 22 184 201             | 21 407 917             |
| Licences and permits                                |         | 19 448                 | 28 140                 |
| Other receivables income                            | 28      | 91 787 667             | 86 094 218             |
| Interest received - investment                      | 29      | 17 329 001             | 12 624 109             |
| Dividends received                                  | 29      | 18 666                 | 34 455                 |
| <b>Total revenue from exchange transactions</b>     |         | <b>1 380 213 785</b>   | <b>1 260 484 793</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                        |                        |
| <b>Taxation revenue</b>                             |         |                        |                        |
| Property rates                                      | 30      | 394 494 590            | 308 722 620            |
| Penalties imposed                                   | 30      | 24 995 256             | 32 025 759             |
| <b>Transfer revenue</b>                             |         |                        |                        |
| Government grants & subsidies                       | 31      | 350 004 565            | 340 624 729            |
| Fines, penalties and forfeits                       |         | 134 576 988            | 170 003 359            |
| <b>Total revenue from non-exchange transactions</b> |         | <b>904 071 399</b>     | <b>851 376 467</b>     |
|   |         | 1 380 213 785          | 1 260 484 793          |
|   |         | 904 071 399            | 851 376 467            |
| <b>Total revenue</b>                                | 24      | <b>2 284 285 184</b>   | <b>2 111 861 260</b>   |
| <b>Expenditure</b>                                  |         |                        |                        |
| Employee related costs                              | 32      | (536 545 368)          | (485 526 117)          |
| Remuneration of councillors                         | 33      | (25 254 320)           | (24 074 379)           |
| Depreciation and amortisation expenses              | 34      | (229 558 686)          | (269 168 562)          |
| Impairment loss/ Reversal of impairments            | 35      | (84 041)               | (316 150)              |
| Finance costs                                       | 36      | (43 109 777)           | (38 049 291)           |
| Debt impairment                                     | 37      | (221 886 172)          | (221 290 165)          |
| Collection costs                                    |         | (27 700 578)           | (34 042 830)           |
| Repairs and maintenance                             | 38      | (66 355 399)           | (69 372 350)           |
| Bulk purchases                                      | 39      | (700 134 782)          | (657 955 331)          |
| Contracted services                                 | 40      | (195 884 662)          | (175 811 241)          |
| Transfers and subsidies                             | 41      | (43 096 588)           | (25 461 629)           |
| General expenses                                    | 42      | (202 528 209)          | (165 493 064)          |
| Assets written off                                  | 43      | (9 847 661)            | (10 785 372)           |
| <b>Total expenditure</b>                            |         | <b>(2 301 986 243)</b> | <b>(2 177 346 481)</b> |
| Total revenue                                       |         | 2 284 285 184          | 2 111 861 260          |
| Total expenditure                                   |         | (2 301 986 243)        | (2 177 346 481)        |
| <b>Operating deficit</b>                            |         | <b>(17 701 059)</b>    | <b>(65 485 221)</b>    |
| Deficit before taxation                             |         | (17 701 059)           | (65 485 221)           |
| Taxation  |         | -                      | -                      |
| <b>Deficit for the year</b>                         |         | <b>(17 701 059)</b>    | <b>(65 485 221)</b>    |

\* See Note 44

# Mogale City Local Municipality

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## Statement of Changes in Net Assets

| Figures in Rand                                       | Social<br>responsibility<br>fund | Accumulated<br>surplus | Total net<br>assets  |
|---|----------------------------------|------------------------|----------------------|
| Opening balance as previously reported                | -                                | 5 274 349 711          | 5 274 349 711        |
| Adjustments   |                                  |                        |                      |
| Prior year adjustments                                | -                                | (69 331 301)           | (69 331 301)         |
| <b>Balance at 01 July 2013 as restated*</b>           | -                                | <b>5 205 018 410</b>   | <b>5 205 018 410</b> |
| Changes in net assets                                 |                                  |                        |                      |
| Deficit for the year                                  | -                                | (65 485 221)           | (65 485 221)         |
| Total changes   | -                                | (65 485 221)           | (65 485 221)         |
| Opening balance as previously reported                | 7 210 624                        | 5 270 503 631          | 5 277 714 255        |
| Adjustments   |                                  |                        |                      |
| Prior year adjustments                                | -                                | (110 705 519)          | (110 705 519)        |
| <b>Restated* Balance at 01 July 2014 as restated*</b> | <b>7 210 624</b>                 | <b>5 159 798 112</b>   | <b>5 167 008 736</b> |
| Changes in net assets                                 |                                  |                        |                      |
| Deficit for the year                                  | -                                | (17 701 058)           | (17 701 058)         |
| Corporate social responsibility fund                  | 3 180 139                        | -                      | 3 180 139            |
| Total changes   | 3 180 139                        | (17 701 058)           | (14 520 919)         |
| <b>Balance at 30 June 2015</b>                        | <b>10 390 763</b>                | <b>5 142 198 297</b>   | <b>5 152 589 060</b> |

See note 44 for more details

\* See Note 44



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## Cash Flow Statement

| Figures in Rand   | Note(s) | 2015                   | 2014<br>Restated*      |
|---|---------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>             |         |                        |                        |
| <b>Receipts</b>   |         |                        |                        |
| Property rates  |         | 370 073 273            | 344 658 276            |
| Cash receipts from services rendered                    |         | 1 032 471 970          | 945 132 133            |
| Government Grants                                       |         | 365 643 928            | 340 823 913            |
| Interest income   |         | 17 329 001             | 12 624 109             |
| Dividends received                                      |         | 18 666                 | 34 455                 |
| Other receipts  |         | 121 677 674            | 183 623 253            |
|   |         | <b>1 907 214 512</b>   | <b>1 826 896 139</b>   |
| <b>Payments</b>   |         |                        |                        |
| Employee costs  |         | (527 005 245)          | (456 570 879)          |
| Cash paid to suppliers and other payments               |         | (1 086 646 028)        | (1 069 662 100)        |
| Finance costs (Interest paid)                           |         | (43 109 777)           | (38 049 291)           |
|   |         | <b>(1 656 761 050)</b> | <b>(1 564 282 270)</b> |
| Total receipts  |         | 1 907 214 512          | 1 826 896 139          |
| Total payments  |         | (1 656 761 050)        | (1 564 282 270)        |
| <b>Net cash flows from operating activities</b>         | 45      | <b>250 453 462</b>     | <b>262 613 869</b>     |
| <b>Cash flows from investing activities</b>             |         |                        |                        |
| Purchase of property, plant and equipment               |         | (363 611 752)          | (212 227 819)          |
| Purchase of investment property                         |         | (7 215 593)            | (19 701)               |
| Purchase of intangible assets                           |         | (19 568 637)           | (4 478 356)            |
| Purchases of heritage assets                            |         | (3 615)                | -                      |
| Purchase of investments                                 |         | (7 672 794)            | (6 827 217)            |
| <b>Net cash flows from investing activities</b>         |         | <b>(398 072 391)</b>   | <b>(223 553 093)</b>   |
| <b>Cash flows from financing activities</b>             |         |                        |                        |
| Proceeds from long-term liabilities                     |         | 239 500 000            | -                      |
| Repayment of long term liabilities                      |         | (30 678 566)           | (22 639 803)           |
| Finance lease payments                                  |         | 7 946 315              | (9 879 641)            |
| <b>Net cash flows from financing activities</b>         |         | <b>216 767 749</b>     | <b>(32 519 445)</b>    |
| <b>Net increase in cash and cash equivalents</b>        |         | <b>69 148 820</b>      | <b>6 541 331</b>       |
| Cash and cash equivalents at the beginning of the year  |         | 96 704 604             | 90 163 273             |
| <b>Cash and cash equivalents at the end of the year</b> | 5       | <b>165 853 424</b>     | <b>96 704 604</b>      |

\* See Note 44

# Mogale City Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand                                     |                      |                     |                      |                                    |  |           |
| <b>Statement of Financial Performance</b>           |                      |                     |                      |                                    |  |           |
| <b>Revenue</b>                                      |                      |                     |                      |                                    |  |           |
| <b>Revenue from exchange transactions</b>           |                      |                     |                      |                                    |  |           |
| Services charges                                    | 1 280 060 786        | (10 069 385)        | <b>1 269 991 401</b> | 1 223 217 795                      | <b>(46 773 606)</b>                        |           |
| Rental of facilities and equipment                  | 3 507 571            | (255 433)           | <b>3 252 138</b>     | 3 365 966                          | <b>113 828</b>                             |           |
| Interest received outstanding debtors               | 13 732 197           | 18 567 262          | <b>32 299 459</b>    | 22 291 041                         | <b>(10 008 418)</b>                        |           |
| Income from agency services                         | 24 950 345           | (3 542 428)         | <b>21 407 917</b>    | 22 184 201                         | <b>776 284</b>                             |           |
| Licence and permits                                 | 23 588               | (1 928)             | <b>21 660</b>        | 19 448                             | <b>(2 212)</b>                             |           |
| Other income  | 54 167 426           | (845 202)           | <b>53 322 224</b>    | 91 787 667                         | <b>38 465 443</b>                          |           |
| Interest received - investment                      | 1 468 352            | 4 370 516           | <b>5 838 868</b>     | 17 329 001                         | <b>11 490 133</b>                          |           |
| Dividends received                                  | -                    | -                   | <b>-</b>             | 18 666                             | <b>18 666</b>                              |           |
| <b>Total revenue</b>                                | <b>1 377 910 265</b> | <b>8 223 402</b>    | <b>1 386 133 667</b> | <b>1 380 213 785</b>               | <b>(5 919 882)</b>                         |           |
| <b>Revenue from non-exchange transactions</b>       |                      |                     |                      |                                    |  |           |
| <b>Taxation revenue</b>                             |                      |                     |                      |                                    |  |           |
| Property rates                                      | 316 405 570          | 31 246 695          | <b>347 652 265</b>   | 394 494 590                        | <b>46 842 325</b>                          |           |
| Penalties imposed                                   | 32 485 834           | (7 176 179)         | <b>25 309 655</b>    | 24 995 256                         | <b>(314 399)</b>                           |           |
| <b>Transfer revenue</b>                             |                      |                     |                      |                                    |  |           |
| Government grants & subsidies                       | 372 996 229          | (1 116 347)         | <b>371 879 882</b>   | 350 004 565                        | <b>(21 875 317)</b>                        |           |
| Fines, penalties and forfeits                       | 23 522 182           | -                   | <b>23 522 182</b>    | 134 576 988                        | <b>111 054 806</b>                         |           |
| <b>Total revenue from non-exchange transactions</b> | <b>745 409 815</b>   | <b>22 954 169</b>   | <b>768 363 984</b>   | <b>904 071 399</b>                 | <b>135 707 415</b>                         |           |
| 'Total revenue from exchange transactions'          | 1 377 910 265        | 8 223 402           | <b>1 386 133 667</b> | 1 380 213 785                      | <b>(5 919 882)</b>                         |           |
|   | 745 409 815          | 22 954 169          | <b>768 363 984</b>   | 904 071 399                        | <b>135 707 415</b>                         |           |
| <b>Total revenue</b>                                | <b>2 123 320 080</b> | <b>31 177 571</b>   | <b>2 154 497 651</b> | <b>2 284 285 184</b>               | <b>129 787 533</b>                         |           |
| <b>Expenditure</b>                                  |                      |                     |                      |                                    |  |           |
| Employee related costs                              | 571 727 225          | 4 423 812           | <b>576 151 037</b>   | 536 545 368                        | <b>(39 605 669)</b>                        |           |
| Remuneration of councillors                         | 28 386 637           | -                   | <b>28 386 637</b>    | 25 254 320                         | <b>(3 132 317)</b>                         |           |
| Depreciation and amortisation                       | 281 809 042          | -                   | <b>281 809 042</b>   | 229 558 686                        | <b>(52 250 356)</b>                        |           |
| Debt impairment                                     | 45 775 377           | 71 308 323          | <b>117 083 700</b>   | 221 886 172                        | <b>104 802 472</b>                         |           |
| Finance costs                                       | 58 067 498           | (5 000 000)         | <b>53 067 498</b>    | 43 109 777                         | <b>(9 957 721)</b>                         |           |
| Impairment loss/Reversal of impairments             | -                    | -                   | <b>-</b>             | 84 041                             | <b>84 041</b>                              |           |
| Collection costs                                    | 28 337 053           | (45 000)            | <b>28 292 053</b>    | 27 700 578                         | <b>(591 475)</b>                           |           |
| Repairs and maintenance                             | 75 280 869           | 5 192 310           | <b>80 473 179</b>    | 66 355 400                         | <b>(14 117 779)</b>                        |           |
| Bulk purchases                                      | 753 694 713          | -                   | <b>753 694 713</b>   | 700 134 782                        | <b>(53 559 931)</b>                        |           |
| Contracted services                                 | 227 334 776          | (6 999 764)         | <b>220 335 012</b>   | 195 884 662                        | <b>(24 450 350)</b>                        |           |
| Transfers and subsidies                             | 39 419 554           | 200 000             | <b>39 619 554</b>    | 43 096 587                         | <b>3 477 033</b>                           |           |
| General expenses                                    | 260 574 925          | 7 820 062           | <b>268 394 987</b>   | 212 375 870                        | <b>(56 019 117)</b>                        |           |
| <b>Total expenditure</b>                            | <b>2 370 407 669</b> | <b>76 899 743</b>   | <b>2 447 307 412</b> | <b>2 301 986 243</b>               | <b>(145 321 169)</b>                       |           |
|   | (247 087 589)        | (45 722 172)        | <b>(292 809 761)</b> | (17 701 059)                       | <b>275 108 702</b>                         |           |
| <b>Deficit for the year</b>                         | <b>(247 087 589)</b> | <b>(45 722 172)</b> | <b>(292 809 761)</b> | <b>(17 701 059)</b>                | <b>275 108 702</b>                         |           |
| Surplus before taxation                             | (247 087 589)        | (45 722 172)        | <b>(292 809 761)</b> | (17 701 059)                       | <b>275 108 702</b>                         |           |
| Taxation  | -                    | -                   | <b>-</b>             | -                                  | <b>-</b>                                   |           |

# Mogale City Local Municipality

(Registration number GT 481)

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|                 | Approved<br>budget   | Adjustments         | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference          |
|-----------------|----------------------|---------------------|----------------------|--|---|--------------------|
| Figures in Rand |                      |                     |                      |  |   |                    |
| s               | <b>(247 087 589)</b> | <b>(45 722 172)</b> | <b>(292 809 761)</b> | <b>(17 701 059)</b>                      | <b>275 108 702</b>                                  | <b>See note 46</b> |

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

|  | Original budget        | Budget adjustments (i.t.o. s28 and MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget           | Actual outcome         | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------------|--|--------------------------|--|---|------------------------|------------------------|--------------------------|--------------------|-------------------------------------|--|
| <b>2015</b>  |                        |  |                          |  |   |                        |                        |                          |                    |                                     |  |
| <b>Financial Performance</b>   |                        |  |                          |  |   |                        |                        |                          |                    |                                     |  |
| Property rates   | 316 405 570            | 31 246 695                               | 347 652 265              | -  | -   | 347 652 265            | 394 494 590            | -                        | 46 842 325         | 113 %                               | 125 %                                  |
| Service charges  | 1 280 060 786          | (10 069 385)                             | 1 269 991 401            | -  | -   | 1 269 991 401          | 1 223 217 796          | -                        | (46 773 605)       | 96 %                                | 96 %                                   |
| Investment revenue   | 1 548 637              | 4 290 231                                | 5 838 868                | -  | -   | 5 838 868              | 17 347 667             | -                        | 11 508 799         | 297 %                               | 1 120 %                                |
| Transfers recognised - operational                                   | 250 984 100            | 2 645 700                                | 253 629 800              | -  | -   | 253 629 800            | 250 761 723            | -                        | (2 868 077)        | 99 %                                | 100 %                                  |
| Other own revenue  | 152 308 858            | 6 826 377                                | 159 135 235              | -  | -   | 159 135 235            | 299 220 568            | -                        | 140 085 333        | 188 %                               | 196 %                                  |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>2 001 307 951</b>   | <b>34 939 618</b>                        | <b>2 036 247 569</b>     | -  | -   | <b>2 036 247 569</b>   | <b>2 185 042 344</b>   | -                        | <b>148 794 775</b> | <b>107 %</b>                        | <b>109 %</b>                           |
| Employee costs   | (571 727 225)          | (4 423 812)                              | (576 151 037)            | -  | -   | (576 151 037)          | (536 545 368)          | -                        | 39 605 669         | 93 %                                | 94 %                                   |
| Remuneration of councillors  | (28 386 637)           | -  | (28 386 637)             | -  | -   | (28 386 637)           | (25 254 320)           | -                        | 3 132 317          | 89 %                                | 89 %                                   |
| Debt impairment  | (45 775 377)           | (71 308 323)                             | (117 083 700)            | -  | -   | (117 083 700)          | (221 886 172)          | -                        | (104 802 472)      | 190 %                               | 485 %                                  |
| Depreciation and asset impairment                                    | (281 809 042)          | -  | (281 809 042)            | -  | -   | (281 809 042)          | (229 642 734)          | -                        | 52 166 308         | 81 %                                | 81 %                                   |
| Finance charges  | (58 067 498)           | 5 000 000                                | (53 067 498)             | -  | -   | (53 067 498)           | (43 109 777)           | -                        | 9 957 721          | 81 %                                | 74 %                                   |
| Materials and bulk purchases   | (828 975 576)          | (5 192 316)                              | (834 167 892)            | -  | -   | (834 167 892)          | (766 490 182)          | -                        | 67 677 710         | 92 %                                | 92 %                                   |
| Transfers and grants   | (39 419 554)           | (200 000)                                | (39 619 554)             | -  | -   | (39 619 554)           | (43 096 588)           | -                        | (3 477 034)        | 109 %                               | 109 %                                  |
| Other expenditure  | (516 246 760)          | (775 292)                                | (517 022 052)            | -  | -   | (517 022 052)          | (435 961 110)          | -                        | 81 060 942         | 84 %                                | 84 %                                   |
| <b>Total expenditure</b>   | <b>(2 370 407 669)</b> | <b>(76 899 743)</b>                      | <b>(2 447 307 412)</b>   | -  | -   | <b>(2 447 307 412)</b> | <b>(2 301 986 251)</b> | -                        | <b>145 321 161</b> | <b>94 %</b>                         | <b>97 %</b>                            |
| Total revenue (excluding capital transfers and contributions)        | 2 001 307 951          | 34 939 618                               | 2 036 247 569            | -  | -   | 2 036 247 569          | 2 185 042 344          | -                        | 148 794 775        | 107 %                               | 109 %                                  |
| Total expenditure  | (2 370 407 669)        | (76 899 743)                             | (2 447 307 412)          | -  | -   | (2 447 307 412)        | (2 301 986 251)        | -                        | 145 321 161        | 94 %                                | 97 %                                   |
| <b>Surplus/(Deficit)</b>   | <b>(369 099 718)</b>   | <b>(41 960 125)</b>                      | <b>(411 059 843)</b>     | -  | -   | <b>(411 059 843)</b>   | <b>(116 943 907)</b>   | -                        | <b>294 115 936</b> | <b>28 %</b>                         | <b>32 %</b>                            |

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## Appropriation Statement

Figures in Rand

|  | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome      | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|---------------------|--------------------------|--------------------|-------------------------------------|--|
| Transfers recognised - capital                                     | (122 012 129)        | 3 912 047   | (118 100 082)            | -  | -   | (118 100 082)        | 99 242 842          | -                        | 217 342 924        | (84)%                               | (81)%                                  |
| Surplus/(Deficit)  | (369 099 718)        | (41 960 125)  | (411 059 843)            | -  | -   | (411 059 843)        | (116 943 907)       | -                        | 294 115 936        | 28 %                                | 32 %                                   |
| Capital transfers and contributions                                | (122 012 129)        | 3 912 047   | (118 100 082)            | -  | -   | (118 100 082)        | 99 242 842          | -                        | 217 342 924        | (84)%                               | (81)%                                  |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>(491 111 847)</b> | <b>(38 048 078)</b>                                 | <b>(529 159 925)</b>     | -  | -   | <b>(529 159 925)</b> | <b>(17 701 065)</b> | -                        | <b>511 458 860</b> | <b>3 %</b>                          | <b>4 %</b>                             |
| Surplus (Deficit) after capital transfers and contributions        | (491 111 847)        | (38 048 078)  | (529 159 925)            | -  | -   | (529 159 925)        | (17 701 065)        | -                        | 511 458 860        | 3 %                                 | 4 %                                    |
| <b>Surplus/(Deficit) for the year</b>                              | <b>(491 111 847)</b> | <b>(38 048 078)</b>                                 | <b>(529 159 925)</b>     | -  | -   | <b>(529 159 925)</b> | <b>(17 701 065)</b> | -                        | <b>511 458 860</b> | <b>3 %</b>                          | <b>4 %</b>                             |

### Capital expenditure and funds sources

|                                       |                      |                   |                      |   |   |                      |                      |   |                   |             |             |
|---------------------------------------|----------------------|-------------------|----------------------|---|---|----------------------|----------------------|---|-------------------|-------------|-------------|
| Total capital expenditure             | (483 995 869)        | 22 086 501        | (461 909 368)        | - | - | (461 909 368)        | (396 938 717)        | - | 64 970 651        | 86 %        | 82 %        |
| <b>Sources of capital funds</b>       |                      |                   |                      |   |   |                      |                      |   |                   |             |             |
| Transfers recognised - capital        | (122 012 129)        | 3 912 047         | (118 100 082)        | - | - | (118 100 082)        | (99 242 844)         | - | 18 857 238        | 84 %        | 81 %        |
| Public contributions and donations    | -                    | (10 000 000)      | (10 000 000)         | - | - | (10 000 000)         | (1 500 000)          | - | 8 500 000         | 15 %        | DIV/0 %     |
| Borrowing                             | (239 500 000)        | -                 | (239 500 000)        | - | - | (239 500 000)        | (202 175 486)        | - | 37 324 514        | 84 %        | 84 %        |
| Internally generated funds            | (122 483 740)        | 28 174 454        | (94 309 286)         | - | - | (94 309 286)         | (94 020 388)         | - | 288 898           | 100 %       | 77 %        |
| <b>Total sources of capital funds</b> | <b>(483 995 869)</b> | <b>22 086 501</b> | <b>(461 909 368)</b> | - | - | <b>(461 909 368)</b> | <b>(396 938 718)</b> | - | <b>64 970 650</b> | <b>86 %</b> | <b>82 %</b> |

# Mogale City Local Municipality

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## Appropriation Statement

Figures in Rand

|   | Original budget     | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget        | Actual outcome    | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---------------------|---|--------------------------|--|---|---------------------|-------------------|--------------------------|--------------------|-------------------------------------|--|
| <b>Cash flows</b>   |                     |   |                          |  |   |                     |                   |                          |                    |                                     |  |
| Net cash from (used) operating                              | 250 014 889         | (91 459 572)  | 158 555 317              | -  |   | 158 555 317         | 250 453 462       |                          | 91 898 145         | 158 %                               | 100 %                                  |
| Net cash from (used) investing                              | (481 995 869)       | 20 086 501  | (461 909 368)            | -  |   | (461 909 368)       | (398 072 391)     |                          | 63 836 977         | 86 %                                | 83 %                                   |
| Net cash from (used) financing                              | 211 605 760         | (3 099 000)   | 208 506 760              | -  |   | 208 506 760         | 216 767 749       |                          | 8 260 989          | 104 %                               | 102 %                                  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(20 375 220)</b> | <b>(74 472 071)</b>                                 | <b>(94 847 291)</b>      | <b>-</b>                                   |   | <b>(94 847 291)</b> | <b>69 148 820</b> |                          | <b>163 996 111</b> | <b>(73)%</b>                        | <b>(339)%</b>                          |
| Cash and cash equivalents at the beginning of the year      | 27 267 002          | 69 437 602  | 96 704 604               | -  |   | 96 704 604          | (69 148 820)      |                          | (165 853 424)      | (72)%                               | (254)%                                 |
| Net increase / (decrease) in cash and cash equivalents      | (20 375 220)        | (74 472 071)  | (94 847 291)             | -  | -   | (94 847 291)        | 69 148 820        | -                        | (163 996 111)      | (73)%                               | (339)%                                 |
| Cash and cash equivalents at the beginning of the year      | 27 267 002          | 69 437 602  | 96 704 604               | -  | -   | 96 704 604          | (69 148 820)      | -                        | 165 853 424        | (72)%                               | (254)%                                 |
| <b>Cash and cash equivalents at year end</b>                | <b>6 891 782</b>    | <b>(5 034 469)</b>                                  | <b>1 857 313</b>         | <b>-</b>                                   |   | <b>1 857 313</b>    | <b>-</b>          |                          | <b>1 857 313</b>   | <b>- %</b>                          | <b>- %</b>                             |

# Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1 THE REPORTING ENTITY

#### 1.1 BASIS OF PREPARATION

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

#### 1.2 GRAP Standards effective for the current financial year

During the current financial year, the following accounting standard, interpretations and amendments published by accounting standards board were adopted by the municipality during 2015 financial year:

GRAP 5 Borrowing cost and 100 Discounted operations

#### 1.3 Standards approved not yet effective

The following published Standards of GRAP and Interpretations became effective and were not adopted in the preparation of the annual financial statements.

GRAP 18 Segmenting reporting:

This standard become effective for financial year commencing on or after 01 April 2015 but not yet for municipalities.

GRAP 20 Related party disclosures ( revised ) Mogale City is continuing disclosing related party using IPSAS 20

GRAP 32 Service Concession Arrangements where a grantor controls a significant residual interest in an assets. This standard applies to an asset used in a service concession arrangement for its entire economic life. Since the municipality has no service concession no significant impact on the financial statement of Mogale City is expected.

GRAP 105 Transfer of functions between entities under common control:

This standard prescribes the establishment over accounting principles for the acquirer and transferer in a transfer of functions between entities under common control. Since the municipality has no entities under common control, no significant impact on the financial statement of Mogale City is expected.

GRAP 106 Transfer of functions between entities not under common control:

This standard prescribes the establishment over accounting principles for the acquirer and transfer of functions between entities under common control. Since the municipality has no entities under common control, no significant impact on the financial statement of the entity is expected.

GRAP 107 Mergers:

This standard prescribes the establishment over accounting principles for the combined entity and combining entities in a merger. Since Mogale City has no combined entity and combining entities in a merger, no significant impact on the financial statement of the entity is expected.

GRAP 108 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when :
  - The definition of an asset is met; it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

# Mogale City Local Municipality

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## Accounting Policies

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IGRAP 17 Service Concession arrangements where a grantor controls a significant residual interest in an asset. The standard of GRAP on Service Concession Arrangements: Grantor requires the grantor to recognise a service concession asset provided by the operator and upgrade to an existing asset of the grantor. Since the municipality has no service concession no significant impact on the financial statement of Mogale City is expected.

### 1.4 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements as they are not applicable to the business operations of Mogale City.

|         |  |
|---------|--|
| GRAP 4  | The effects of changes in foreign exchange rates   |
| GRAP 6  | Consolidated and separate financial instruments    |
| GRAP 7  | Investments in associates                          |
| GRAP 8  | Interest in joint ventures                         |
| GRAP 10 | Financial reporting in hyperinflationary economies |
| GRAP 11 | Construction contracts                             |
| GRAP 26 | Impairment of cash-generating assets               |
| GRAP 27 | Agriculture  |

### 1.5 Basis of measurement

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

### 1.6 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

### 1.7 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale city will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

### 1.8 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

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

#### 1.8.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

#### 1.8.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.8.3 Impairment of receivables

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

#### 1.8.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

#### 1.8.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material, using actuarial valuations.



# Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.9 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts.

A difference of ten percent (10%) or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

### 1.10 Consistency of policies

The accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in note , are set out below.

### 1.11 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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

## 2 FINANCIAL REPORTING TERMS

### 2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

### 2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City 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.

### 2.3 Carrying Amount

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

### 2.4 Cash generating unit

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.

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

The future cash inflows used to determine the asset's or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing

### 2.5 Costs of disposal

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

### 2.6 Cost of inventories

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

### 2.7 Current replacement cost

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## Accounting Policies

---

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

### 2.8 Depreciation (Amortisation)

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

### 2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

### 2.10 Discount rate

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

### 2.11 Fair value

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

### 2.12 Impairment Loss

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

### 2.13 Net realisable value

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

### 2.14 Non-cash generating assets

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

### 2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:

Property, plant and equipment;

Investment property;

Intangible asset ; and

Heritage assets.

### 2.16 Recoverable amount

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

### 2.17 Recoverable service amount

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

### 2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

### 2.19 Value in use of non-cash generating assets

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 depreciated replacement cost approach.

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 Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset.

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## Accounting Policies

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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.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property, plant and equipment

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

Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

##### 3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

##### 3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item.

##### 3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

##### 3.1.4 Derecognition of items of property, plant and equipment

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

Gains or losses arising from the derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

##### 3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment

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loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

### 3.1.6 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

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

| ASSET TYPE       | COMPONENT TYPE                                   | Economic Useful Lives         |    |
|------------------|--|-------------------------------|----|
| Pavements        | Bituminous surface - thick                       | 12                            |    |
|                  | Bituminous surface - medium                      | 9                             |    |
|                  | Bituminous surface - thin                        | 5                             |    |
|                  | Gravel surface                                   | 3                             |    |
|                  | Concrete/ block surface                          | 20                            |    |
|                  | Structural layers - paved arterial/ distributors | 30                            |    |
|                  | Structural layers - paved collectors             | 50                            |    |
|                  | Structural layers - paved access roads           | 80                            |    |
| Earthworks       | Cut and fill earthworks                          | 100                           |    |
|                  | Road drainage                                    | Kerbs - Arterial/ Distributor | 20 |
|                  |  | Kerbs - Collector/ Access     | 50 |
|                  |  | Kerb inlets                   | 20 |
|                  |  | Lined open drain              | 50 |
|                  |  | Unlined open drain            | 5  |
| Road Furniture   | Guard Rail                                       | 15                            |    |
|                  | Commuter shelter                                 | 15                            |    |
|                  | Road marking                                     | 5                             |    |
|                  | Cats eyes  | 3                             |    |
|                  | Mini roundabout                                  | 20                            |    |
|                  | Speed hump                                       | 20                            |    |
|                  | Traffic island                                   | 20                            |    |
|                  | Footpaths  | 20                            |    |
|                  | Street Signs                                     | 20                            |    |
|                  | Traffic Signs                                    | 7                             |    |
|                  | Rubbish bins                                     | 10                            |    |
|                  | Bill boards                                      | 7                             |    |
|                  | Traffic signal                                   | 15                            |    |
|                  | Bridges Super-structure                          | 100                           |    |
|                  | Sub-structure                                    | 100                           |    |
|                  | Side barrier                                     | 60                            |    |
|                  | Abutment   | 100                           |    |
|                  | Retaining walls                                  | Anchored wall                 | 50 |
|                  |  | Retaining wall                | 60 |
|                  | Storm-water Conveyance                           | Canal lining                  | 50 |
| Gabions          |  | 50                            |    |
| Rip rap          |  | 20                            |    |
| Culvert          |  | 60                            |    |
| Mechanical plant | Pump   | 15                            |    |
|                  | Engine   | 15                            |    |
|                  | Doser  | 15                            |    |
|                  | Generator  | 20                            |    |
|                  | Waster compactor                                 | 15                            |    |
|                  | Weighbridge                                      | 15                            |    |
|                  | Gas Monitoring equipment                         | 15                            |    |
|                  | Baler  | 15                            |    |
| Electrical plant | Batteries  | 3                             |    |
|                  | Motor  | 15                            |    |

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|                 |                           |     |
|-----------------|---------------------------|-----|
|                 | Telemetry                 | 15  |
|                 | Control panel             | 30  |
|                 | Isolator                  | 30  |
|                 | Power factor equipment    | 30  |
| Civil Structure | Mild Steel structure      | 30  |
|                 | Timber structure          | 15  |
|                 | Masonry structure         | 30  |
|                 | Concrete structure        | 50  |
|                 | Earthfill dam wall        | 80  |
|                 | Rockfill dam wall         | 150 |
|                 | Rollcrete dam wall        | 200 |
|                 | Dam spillway and outlets  | 100 |
|                 | Filter media              | 20  |
|                 | Tank - plastic            | 15  |
|                 | Tank - steel              | 30  |
|                 | Tank - concrete           | 50  |
|                 | Landfill lining           | 50  |
|                 | Mild steel fittings       | 20  |
|                 | Stainless steel fittings  | 40  |
|                 | Chemical toilet           | 10  |
|                 | VIP latrine               | 5   |
|                 | Pedestal (communal water) | 10  |
|                 | Tap (communal water)      | 5   |
| Pipe-work       | Borehole well lining      | 30  |
|                 | uPVC pipe                 | 60  |
|                 | Steel pipe                | 80  |
|                 | HDPE pipe                 | 80  |
|                 | Clay                      | 100 |
|                 | Concrete - sanitation     | 40  |
|                 | Concrete - storm-water    | 50  |
|                 | Asbestos-cement pipe      | 40  |
|                 | Sub-soil drains           | 60  |
|                 | Valve                     | 20  |
|                 | Hydrant                   | 20  |
|                 | Meter                     | 10  |
|                 | Erf connection - water    | 50  |
|                 | Erf connection - sewer    | 50  |
|                 | Communal Pedestal         | 10  |
|                 | HV Conductors Cable       | 50  |
|                 | Pilot Cables              | 50  |
| HV Substation   | HV Overhead Line          | 50  |
|                 | Transformer               | 60  |
|                 | VTs (voltage transformer) | 45  |
|                 | CTs (current transformer) | 45  |
|                 | AUX Transformer           | 45  |
|                 | Transformers NEC          | 45  |
|                 | Panel                     | 45  |
|                 | HV Switchgear - Breakers  | 45  |
|                 | HV Switchgear - Isolators | 45  |
| MV Conductors   | Cable                     | 50  |
|                 | Pilot Cables              | 50  |
| MV Substation   | MV Overhead Line          | 50  |
|                 | Transformer               | 45  |
|                 | VTs (voltage transformer) | 45  |
|                 | CTs (current transformer) | 45  |
|                 | AUX Transformer           | 45  |
|                 | MV Switchgear - Breakers  | 45  |
|                 | MV Switchgear - Isolators | 45  |
|                 | Panel                     | 45  |
| MV Switchgear   | Ring Main Unit            | 45  |
|                 | Breakers                  | 45  |
|                 | Isolator                  | 45  |
|                 | Panel                     | 45  |
| MV Transformer  | Mini-Sub                  | 45  |
|                 | Pole Transformer          | 45  |
| LV Conductors   | LV Cable                  | 50  |
| LV Overhead     | Lines                     | 50  |
| Public Lighting | Street Light              | 45  |

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| Municipal                     | High mast                     |                  | 45   |
|                               | LV Cable                      |                  | 50   |
|                               | LV Overhead Lines             |                  | 50   |
|                               | Electricity Meter             |                  | 20   |
| Building Elements             | Air conditioning              |                  | 20   |
|                               | Electrical installation       |                  | 30   |
|                               | Finishes                      |                  | 10   |
|                               | Fire protection               |                  | 20   |
|                               | Fixtures & fittings           |                  | 15   |
|                               | Plumbing                      |                  | 20   |
|                               | Security system               |                  | 20   |
|                               | Building Structure - Walls    |                  | 60   |
|                               | Building Structure - Roofs    |                  | 40   |
|                               | Gas installation              |                  | 20   |
|                               | Concrete floors               |                  | 50   |
|                               | Small building enclosure      |                  | 20   |
|                               | Lifts                         |                  | 10   |
| Service Connections (on site) | Service Connections (on site) | Sewer connection | 50   |
|                               | Water connection              |                  | 50   |
|                               | Electricity                   |                  | 50   |
|                               | VIP Latrine                   |                  | 5    |
|                               | Septic tank                   |                  | 40   |
| External improvements         | Perimeter wall                |                  | 30   |
|                               | Fence - wire                  |                  | 15   |
|                               | Carports                      |                  | 7    |
|                               | Landscaping                   |                  | 30   |
|                               | Lawns                         |                  | 30   |
|                               | Irrigation                    |                  | 10   |
|                               | Flood lights                  |                  | 30   |
|                               | Light bollards                |                  | 30   |
|                               | External furniture            |                  | 20   |
| Sports facilities             | Tennis court                  |                  | 15   |
|                               | Bowling green                 |                  | 20   |
|                               | Sportsfield                   |                  | 30   |
|                               | Swimming pool                 |                  | 20   |
|                               | Golf course                   |                  | 50   |
|                               | Stadium                       |                  | 50   |
| Furniture and Fittings        |                               |                  | 7-10 |
| Motor Vehicles                |                               |                  | 3-10 |
| Office Equipment              |                               |                  | 3-7  |
| Plant and Machinery           |                               |                  | 2-15 |
| Animals                       |                               |                  | 2-26 |
| IT Equipment                  |                               |                  |      |

### 3.2 Investment property

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

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

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

### 3.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance, . An asset is identifiable if it either:

(a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or

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separable from the entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

| Item              | Useful Life |
|-------------------|-------------|
| Computer Software | 3 - 5 years |

### 3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset.

Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit.

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 3.5 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-

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exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

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

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

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

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.

### 3.6 Receivables

Receivables are recognised initially at fair value, plus transaction cost. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due. Accordingly the carrying amount of the asset is reduced through the use of an allowance account. The loss is recognised in surplus or deficit.

A provision is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### 3.7 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

### 3.8 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

### 3.9 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

#### 3.9.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period.

Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been



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transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

### 3.9.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

### 3.9.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

### 3.9.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

### 3.9.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

### 3.9.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.10 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City 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.

Mogale City is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. As such, management has determined that Mogale City does not control assets that meet the definition of cash-generating assets. Accordingly, this standard was not implemented. The GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the City.

### 3.11 Impairment of non-cash generating assets

Non-cash generating assets are assets other than cash generating assets. All Mogale City's assets have been classified as non-cash generating assets.

#### 3.11.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the 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 the Statement of Financial Performance.

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

#### 3.11.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

#### 3.11.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

#### 3.11.4 Depreciation/Amortisation

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After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be 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.

### 3.11.5 Redesignation

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

### 3.12 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease.

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

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

#### 3.12.1 Finance Lease – Mogale City as lessor

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

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

#### 3.12.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

#### 3.12.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

#### 3.12.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rents are charged as expenses in the periods in which they are incurred.

### 3.13 Employee benefits

#### 3.13.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

### 3.13.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

### 3.13.3 Retirement benefits

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

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

### 3.13.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

### 3.13.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

#### Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

#### Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

## 3.14 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

## 3.15 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's

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policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk-adjusted.

### 3.16 Contingent liabilities

A contingent liability is:

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

A present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

### 3.17 Contingent assets

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

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

### 3.18 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the payment basis.

### 3.19 Revenue

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

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service.

Where 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.

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

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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 goods or services.

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

Mogale City derives revenue from exchange and non-exchange transactions.

### 3.19.1 Revenue from exchange transactions

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

#### Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.

The stage of completion of the transaction at the reporting date can be measured reliably.

The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

#### Sale of goods

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

The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.

The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period. Residential sanitations service charges is based on taking 30kl of water consumption and multiply by applicable tariff for financial year or period. Business sanitation service charges is based on taking the twelve months water consumption multiply by the applicable .Basic Sewerages is based on taking the area size of the property multiply by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

#### Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

#### Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

#### Rental of facilities and equipment

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

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

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### Dividends

Dividends are recognised when the municipality's right to receive payment is established.

### 3.19.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Mogale City received revenue 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.

### Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

### Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts

Subsequently, Mogale City evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

### Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

### Services in-kind

Mogale City does not recognise services in-kind as assets or revenue.

### 3.20 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings

Mogale City capitalises borrowing costs commences when:

Borrowing costs have been incurred;  
expenditure have been incurred; and

It undertakes activities that are necessary to prepare the asset for its intended use or sale.

Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

### 3.21 Unauthorised expenditure

Unauthorised expenditure is expenditure:

which has not been budgeted for;

that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or

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in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

### 3.22 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); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

### 3.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

### 3.24 Related parties

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political office bearers of Mogale City and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

### 3.25 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction;

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

### 3.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and

Where disclosure is required by a specific standard of GRAP.

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### 3.27 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

### 3.28 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they are occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.



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## Notes to the Annual Financial Statements

| Figures in Rand       | 2015              | 2014              |
|-----------------------|-------------------|-------------------|
| <b>2. Inventories</b> |                   |                   |
| Consumable stores     | 13 394 031        | 11 748 838        |
| Water                 | 355 113           | 389 246           |
| Other (Sub Stores )   | 1 410 254         | 1 919 577         |
|                       | <b>15 159 398</b> | <b>14 057 661</b> |

None of the inventories were pledged as security for liabilities. Stock shortages and surpluses arose after year- end stock count.

### 3. Receivables from non- exchange transactions

|   |                    |                    |
|---|--------------------|--------------------|
| Developers contributions                          | 7 202 494          | 6 020 679          |
| Levies  | 12 676 730         | 12 746 955         |
| Staff loans                                       | 3 812 153          | 3 983 927          |
| Debtors staff leave                               | 169 219            | 92 617             |
| Other receivable and traffic fines                | 313 277 587        | 197 485 880        |
| Impairment of other receivables and traffic fines | (229 441 532)      | (165 186 734)      |
| Consumer debtors - Rates                          | 101 431 733        | 89 156 487         |
|   | <b>209 128 384</b> | <b>144 299 811</b> |

### Revenue from non-exchange transactions ( property rates)

|  |                    |                   |
|--|--------------------|-------------------|
| Gross Balance                            | 271 673 209        | 217 408 991       |
| Credit balances transferred to creditors | 58 328 873         | 49 991 014        |
| Less impairment                          | (228 570 349)      | (178 243 518)     |
|  | <b>101 431 733</b> | <b>89 156 487</b> |

### The Ageing amounts

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| Current (0-30 days) | 266 867 665        | 73 363 160         |
| 31-60 days          | 1 828 732          | 3 564 124          |
| 61-90 days          | 1 089 796          | 3 433 432          |
| 91-120 days         | (14 396)           | 3 605 692          |
| + 120 days          | 1 901 412          | 133 442 583        |
|                     | <b>271 673 209</b> | <b>217 408 991</b> |

### Receivables from non-exchange transactions pledged as security

None of other receivables from non-exchange transactions were pledged as security for overdraft facilities.

### Credit Balance transferred to creditors

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Current (0-30 days) | <b>2015</b>       | <b>2014</b>       |
| 31-60 days          | 12 124 660        | 7 018 729         |
| 61-90 days          | 3 427 410         | 1 534 752         |
| 91-120 days         | 2 005 541         | 1 697 668         |
| 120+                | 2 064 916         | 3 411 469         |
|                     | 38 706 346        | 36 328 396        |
|                     | <b>58 328 873</b> | <b>49 991 014</b> |

### Credit quality of receivables from non-exchange transactions

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### 3. Receivables from non- exchange transactions (continued)

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

#### Receivables from non- exchange transactions past due but not impaired

Receivables from non- exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R7 841 115 (2014: R 7 982 191) were past due but not impaired.

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

|                   |           |           |
|-------------------|-----------|-----------|
| 1 month past due  | 3 843 157 | 3 896 938 |
| 2 months past due | 2 637 893 | 2 712 421 |
| 3 months past due | 1 360 065 | 1 372 832 |
| Total             | 7 841 115 | 7 982 191 |

#### Receivables from non-exchange transactions impaired

The amount of the provision was R 229,441,532 as of 30 June 2015 (2014: R 165 186 734).

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Opening balance          | 165 186 734        | 81 845 237         |
| Provision for impairment | 64 254 798         | 83 341 497         |
|                          | <b>229 441 532</b> | <b>165 186 734</b> |

There was not a significant increase as the contribution to the provision came down from R83 341 497 to R 64 254 798.

### 4. Receivables from exchange transactions

#### Gross balances

|             |                    |                    |
|-------------|--------------------|--------------------|
| Electricity | 118 855 826        | 122 396 078        |
| Water       | 127 271 270        | 128 904 614        |
| Sewerage    | 109 226 034        | 114 426 852        |
| Refuse      | 132 191 916        | 157 439 274        |
| Other       | 184 324 119        | 194 411 794        |
|             | <b>671 869 165</b> | <b>717 578 612</b> |

#### Less: Allowance for impairment

|             |                      |                      |
|-------------|----------------------|----------------------|
| Electricity | (26 250 981)         | (28 687 695)         |
| Water       | (85 630 948)         | (97 346 623)         |
| Sewerage    | (83 929 570)         | (86 810 706)         |
| Refuse      | (116 992 356)        | (143 076 878)        |
| Other       | (104 071 364)        | (89 978 334)         |
|             | <b>(416 875 219)</b> | <b>(445 900 236)</b> |

#### Net balance

|             |                    |                    |
|-------------|--------------------|--------------------|
| Electricity | 92 604 845         | 93 708 383         |
| Water       | 41 640 322         | 31 557 992         |
| Sewerage    | 25 296 464         | 27 616 147         |
| Refuse      | 15 199 560         | 14 362 397         |
| Other       | 80 252 755         | 104 433 460        |
|             | <b>254 993 946</b> | <b>271 678 379</b> |

#### Electricity

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## Notes to the Annual Financial Statements

| Figures in Rand  | 2015               | 2014               |
|--|--------------------|--------------------|
| <b>4. Receivables from exchange transactions (continued)</b> |                    |                    |
| Current (0 -30 days)   | 103 833 537        | 93 589 627         |
| 31 - 60 days   | 1 431 374          | 2 447 891          |
| 61 - 90 days   | 709 937            | 1 071 243          |
| 91 - 120 days  | 907 412            | 1 240 433          |
| 120+   | 11 973 566         | 24 046 884         |
|  | <b>118 855 826</b> | <b>122 396 078</b> |
| <b>Water</b>   |                    |                    |
| Current (0 -30 days)   | 61 045 524         | 28 667 818         |
| 31 - 60 days   | 2 241 777          | 4 072 376          |
| 61 - 90 days   | 1 505 422          | 2 409 925          |
| 91 - 120 days  | 1 735 918          | 2 835 413          |
| 120+   | 60 742 629         | 90 919 082         |
|  | <b>127 271 270</b> | <b>128 904 614</b> |
| <b>Sewerage</b>  |                    |                    |
| Current (0 -30 days)   | 58 725 729         | 23 843 817         |
| 31 - 60 days   | 1 665 258          | 3 863 711          |
| 61 - 90 days   | 1 376 321          | 2 438 931          |
| 91 - 120 days  | 1 275 549          | 2 682 541          |
| 120+   | 46 183 177         | 81 597 852         |
|  | <b>109 226 034</b> | <b>114 426 852</b> |
| <b>Refuse</b>  |                    |                    |
| Current (0 -30 days)   | 42 418 957         | 20 359 109         |
| 31 - 60 days   | 1 279 600          | 3 915 478          |
| 61 - 90 days   | 1 136 173          | 2 951 673          |
| 91 - 120 days  | 991 787            | 2 551 395          |
| 120+   | 86 365 399         | 127 661 619        |
|  | <b>132 191 916</b> | <b>157 439 274</b> |
| <b>Other</b>   |                    |                    |
| Current (0 -30 days)   | 92 988 418         | 42 913 608         |
| 31 - 60 days   | 2 090 121          | 6 027 101          |
| 61 - 90 days   | 1 625 453          | 6 073 808          |
| 91 - 120 days  | 2 562 343          | 4 645 993          |
| 120+   | 85 057 784         | 134 751 284        |
|  | <b>184 324 119</b> | <b>194 411 794</b> |

### Credit quality from receivables exchange transactions

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

### Receivables exchange transaction past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R281,766,134 (2014: R 270,455,877 ) were past due but not impaired.

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

|                   |             |             |
|-------------------|-------------|-------------|
| 1 month past due  | 266 728 557 | 251 054 911 |
| 2 months past due | 8 941 580   | 3 391 690   |
| 3 months past due | 6 095 997   | 16 009 276  |

### Receivable from exchange transaction impaired

As of 30 June 2015, total receivable from transaction were R 671 869 165 (2014: R 717 578 612).

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### 4. Receivables from exchange transactions (continued)

The amount of the provision was R 416,875,220 as of 30 June 2015 (2014: R 445,900,236). Percentage of provision against total consumer debtors was 62.05% as of 30 June 2015 (2014: 62.14%)

The ageing of these receivable are as follows:

90 days and beyond 416 875 220 445 900 236

### Reconciliation of allowance for impairment of receivable from exchange transaction

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Opening balance                      | 445 900 234        | 408 207 507        |
| Provision for impairment             | 64 877 371         | 122 194 294        |
| Amounts written off as uncollectible | (93 902 385)       | (84 501 567)       |
|                                      | <b>416 875 220</b> | <b>445 900 234</b> |

During the month of June 2015 our municipality appointed 11 new debt collectors. Debt that is 120+ days old was handed over for collection. As a result of the handover journals being posted in June 2015, the aging of the handed over debt has been disclosed as current debt.

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

|                                     |                    |                   |
|-------------------------------------|--------------------|-------------------|
| Cash on hand                        | 32 419             | 26 014            |
| Bank balances                       | 31 176 795         | 27 205 911        |
| Call accounts money market accounts | 134 644 211        | 69 472 679        |
|                                     | <b>165 853 425</b> | <b>96 704 604</b> |
| Current assets                      | 165 853 425        | 96 704 604        |
| Current liabilities                 | -                  | -                 |
|                                     | <b>165 853 425</b> | <b>96 704 604</b> |

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

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

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral [ This collateral are held by South African Post Office ] 500 000 500 000

### 2015

Guarantee no. Standard Bank call account no:728430118 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in aggregate the sum of R 500,000

500 000 500 000

# Mogale City Local Municipality

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### 5. Cash and cash equivalents (continued)

#### 2014

Guarantee no. Standard Bank call account no:728430118 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in agregate the sum of R 500,000

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### 5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances |                   | Cash book balances |                    |                   |          |
|------------------------------|-------------------------|-------------------|--------------------|--------------------|-------------------|----------|
|                              | 30 June 2015            | 30 June 2014      | 30 June 2015       | 30 June 2014       |                   |          |
| Standard Bank- 021307482     | 5 867 458               | 653 942           | -                  | 5 868 135          | 654 139           | -        |
| Standard Bank-021307474      | 6 756 966               | 3 801 902         | -                  | 6 756 966          | 3 801 902         | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Standard Bank- 021307385     | 34 433                  | 35 003            | -                  | 34 433             | 35 003            | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Standard Bank- 021307172     | 268 006                 | 415 914           | -                  | 268 511            | 412 880           | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Standard Bank- 021307105     | 6 590 471               | 9 736 528         | -                  | 6 590 707          | 9 736 630         | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Standard Bank-021306958      | 1 344 981               | 2 297 149         | -                  | 748 471            | 2 051 968         | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Standard Bank-021306532      | 10 910 201              | 10 513 069        | -                  | 10 909 572         | 10 513 389        | -        |
| Cheque Accounts              |                         |                   |                    |                    |                   |          |
| Call Account                 | 134 644 211             | 69 472 679        | -                  | 134 644 211        | 69 472 679        | -        |
| Petty Cash                   | 32 419                  | 26 014            | -                  | 32 419             | 26 014            | -        |
| <b>Total</b>                 | <b>166 449 146</b>      | <b>96 952 200</b> | <b>-</b>           | <b>165 853 425</b> | <b>96 704 604</b> | <b>-</b> |

2015

#### Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R595,721 relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

2014

#### Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R247,551 relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.

They are usually termed 'heldovers' and should ideally be captured under retrospective date to ensure proper accounting.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

### 6. Operating lease asset

|                    |                |                |
|--------------------|----------------|----------------|
| Non-current assets | -              | -              |
| Current assets     | 191 997        | 296 263        |
|                    | <b>191 997</b> | <b>296 263</b> |

Leases of assets under which all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Payments received under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. Operating lease receipts represent rentals receivable by the municipality for properties. The leases are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10%.

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### 7. Investment property

|                     | 2015                |  |                | 2014                |  |                |
|---------------------|---------------------|--|----------------|---------------------|--|----------------|
|                     | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Investment property | 528 388 483         | -  | 528 388 483    | 507 367 638         | -  | 507 367 638    |

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## Notes to the Annual Financial Statements

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### 7. Investment property (continued)

#### Reconciliation of investment property - 2015

|                     | Opening<br>balance | Capital<br>Expenditure<br>(WIP) | Derecognition | Donations | Fair value<br>adjustments | Total       |
|---------------------|--------------------|---------------------------------|---------------|-----------|---------------------------|-------------|
| Investment property | 507 367 638        | 7 215 593                       | (6 227 542)   | 1 050 000 | 18 982 794                | 528 388 483 |

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 7. Investment property (continued)

#### Reconciliation of investment property - 2014

|                     | Opening<br>balance | Derecognition | Transfers | Fair value<br>adjustments | Total       |
|---------------------|--------------------|---------------|-----------|---------------------------|-------------|
| Investment property | 485 135 786        | (1 432 232)   | 19 701    | 23 644 383                | 507 367 638 |

#### Fair value adjustment of investment properties

##### 2015

The latest valuation roll was obtained from the municipality and the values for individual properties extracted. The fair value adjustment is based on the trend sales price were based on data sourced from the Lightstone website that records all sales transactions per suburb on monthly basis. The trend indicates an increase of 3.87% on the previous values.

##### 2014

The latest valuation roll was obtained from the municipality and the values for individual properties extracted. The fair value adjustment is based on the trend sales price were based on data sourced from the Lightstone website that records all sales transactions per suburb on monthly basis (425 in the last year). The trend indicates an increase of 4,89% on the latest valuation rolls values

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## Notes to the Annual Financial Statements

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### 8. 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                            | 33 373 712            | -   | 33 373 712           | 33 373 712            | -   | 33 373 712           |
| Buildings                       | 536 475 264           | (320 015 663)                                       | 216 459 601          | 536 475 264           | (307 998 120)                                       | 228 477 144          |
| Plant and machinery             | 24 219 029            | (16 347 697)  | 7 871 332            | 23 058 915            | (14 043 811)  | 9 015 104            |
| Furniture and fixtures          | 11 413 254            | (7 330 126)   | 4 083 128            | 10 441 299            | (6 278 877)   | 4 162 422            |
| Motor vehicles                  | 17 372 480            | (15 575 237)  | 1 797 243            | 17 401 545            | (15 043 551)  | 2 357 994            |
| Office equipment                | 5 641 152             | (4 794 163)   | 846 989              | 5 404 438             | (4 552 017)   | 852 421              |
| IT equipment                    | 11 070 568            | (6 326 767)   | 4 743 801            | 7 136 368             | (5 080 660)   | 2 055 708            |
| Capital WIP Building Property   | 16 309 897            | -   | 16 309 897           | 6 289 095             | -   | 6 289 095            |
| Capital WIP Community           | 76 374 096            | -   | 76 374 096           | 39 121 109            | -   | 39 121 109           |
| Roads & Stormwater              | 3 401 394 036         | (1 246 985 620)                                     | 2 154 408 416        | 3 348 612 297         | (1 175 708 863)                                     | 2 172 903 434        |
| Community assets                | 1 000 425 303         | (388 383 909)                                       | 612 041 394          | 979 926 396           | (364 527 108)                                       | 615 399 288          |
| Capital WIP Roads & Stormwater  | 23 975 745            | -   | 23 975 745           | 20 897 776            | -   | 20 897 776           |
| Capital WIP Sanitation Network  | 58 174 145            | -   | 58 174 145           | 31 098 071            | -   | 31 098 071           |
| Capital WIP Water Network       | 88 017 036            | -   | 88 017 036           | 34 532 599            | -   | 34 532 599           |
| Capital WIP Electricity Network | 38 027 181            | -   | 38 027 181           | 110 576 663           | -   | 110 576 663          |
| Bins and containers             | 7 801 202             | (6 846 034)   | 955 168              | 7 364 996             | (6 647 338)   | 717 658              |
| Capital WIP Movable Assets      | 7 028 510             | -   | 7 028 510            | 1 245 658             | -   | 1 245 658            |
| Electricity Network             | 2 773 895 509         | (1 685 229 274)                                     | 1 088 666 235        | 2 591 089 331         | (1 638 068 425)                                     | 953 020 906          |
| Emergency equipment             | 87 793                | (51 029)  | 36 764               | 62 798                | (37 720)  | 25 078               |
| Other leased Assets             | 60 971 010            | (49 523 210)  | 11 447 800           | 36 017 102            | (32 817 581)  | 3 199 521            |
| Animals PPE                     | 5 470 725             | (3 184 726)   | 2 285 999            | 4 091 630             | (2 775 325)   | 1 316 305            |
| Inventory items                 | 1 797 502             | (1 777 871)   | 19 631               | 1 741 493             | (1 684 463)   | 57 030               |
| Library books                   | 18 943 582            | (11 455 805)  | 7 487 777            | 17 618 062            | (9 488 407)   | 8 129 655            |
| Wastewater network              | 1 190 693 780         | (712 064 189)                                       | 478 629 591          | 1 180 867 290         | (688 205 646)                                       | 492 661 644          |
| Water network                   | 1 028 021 976         | (569 656 460)                                       | 458 365 516          | 992 962 839           | (543 839 368)                                       | 449 123 471          |
| Air conditioners                | 722 163               | (714 989)   | 7 174                | 722 163               | (706 757)   | 15 406               |
| <b>Total</b>                    | <b>10 437 696 650</b> | <b>(5 046 262 769)</b>                              | <b>5 391 433 881</b> | <b>10 038 128 909</b> | <b>(4 817 504 037)</b>                              | <b>5 220 624 872</b> |

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

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(Registration number GT 481)

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## Notes to the Annual Financial Statements

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### 8. Property, plant and equipment (continued)

|                                 | Opening<br>balance   | Capital<br>Expenditure | Donations         | Wip Transfers<br>( In/Out) | Derecognition      | Depreciation         | Impairment<br>loss | Total                |
|---------------------------------|----------------------|------------------------|-------------------|----------------------------|--------------------|----------------------|--------------------|----------------------|
| Land                            | 33 373 712           | -                      | -                 | -                          | -                  | -                    | -                  | 33 373 712           |
| Buildings                       | 228 477 145          | -                      | -                 | -                          | -                  | (12 017 544)         | -                  | 216 459 601          |
| Plant and machinery             | 9 015 104            | -                      | -                 | 1 160 114                  | -                  | (2 303 886)          | -                  | 7 871 332            |
| Furniture and fixtures          | 4 162 421            | -                      | -                 | 973 752                    | (1 797)            | (1 051 249)          | -                  | 4 083 127            |
| Motor vehicles                  | 2 357 994            | -                      | -                 | -                          | (29 065)           | (531 687)            | -                  | 1 797 242            |
| Office equipment                | 852 421              | -                      | -                 | 241 068                    | (4 354)            | (242 146)            | -                  | 846 989              |
| IT equipment                    | 2 055 707            | -                      | 354 370           | 3 620 105                  | (40 274)           | (1 246 107)          | -                  | 4 743 801            |
| Roads & Stormwater              | 2 172 903 433        | -                      | -                 | 54 236 077                 | (1 454 337)        | (71 276 756)         | -                  | 2 154 408 416        |
| Community assets                | 615 399 287          | 589 125                | -                 | 19 953 351                 | (43 568)           | (23 772 761)         | (84 040)           | 612 041 394          |
| Capital WIP Building Property   | 6 289 095            | 10 020 802             | -                 | -                          | -                  | -                    | -                  | 16 309 897           |
| Capital WIP Community           | 39 121 109           | 59 422 181             | -                 | (22 169 194)               | -                  | -                    | -                  | 76 374 096           |
| Capital WIP Roads & Stormwater  | 20 897 776           | 55 098 203             | -                 | (52 020 234)               | -                  | -                    | -                  | 23 975 745           |
| Capital WIP Sanitation Network  | 31 098 071           | 36 902 564             | -                 | (9 826 490)                | -                  | -                    | -                  | 58 174 145           |
| Bins and containers             | 717 658              | -                      | -                 | 436 206                    | -                  | (198 696)            | -                  | 955 168              |
| Capital WIP Water Network       | 34 532 599           | 88 543 574             | -                 | (35 059 137)               | -                  | -                    | -                  | 88 017 036           |
| Electricity Network             | 953 020 905          | -                      | 37 790 123        | 147 071 392                | (2 139 379)        | (47 076 807)         | -                  | 1 088 666 234        |
| Emergency Equipment             | 25 077               | -                      | -                 | 24 995                     | -                  | (13 309)             | -                  | 36 763               |
| Capital WIP Electricity Network | 110 576 664          | 75 453 955             | -                 | (148 003 435)              | -                  | -                    | -                  | 38 027 184           |
| Other leased Assets             | 3 199 520            | 24 953 908             | -                 | -                          | -                  | (16 705 628)         | -                  | 11 447 800           |
| Capital WIP Movable assets      | 1 245 659            | 13 559 483             | -                 | (7 776 632)                | -                  | -                    | -                  | 7 028 510            |
| Animals PPE                     | 1 316 305            | -                      | 1 383 381         | -                          | (4 286)            | (409 400)            | -                  | 2 286 000            |
| Inventory items                 | 57 029               | -                      | -                 | 56 010                     | (93 408)           | -                    | -                  | 19 631               |
| Library books                   | 8 129 655            | -                      | 61 137            | 1 264 383                  | -                  | (1 967 398)          | -                  | 7 487 777            |
| Wastewater network              | 492 661 644          | -                      | -                 | 9 826 490                  | -                  | (23 858 542)         | -                  | 478 629 592          |
| Water network                   | 449 123 471          | -                      | -                 | 35 059 136                 | -                  | (25 817 091)         | -                  | 458 365 516          |
| Air conditioners                | 15 405               | -                      | -                 | -                          | -                  | (8 232)              | -                  | 7 173                |
|                                 | <b>5 220 624 866</b> | <b>364 543 795</b>     | <b>39 589 011</b> | <b>(932 043)</b>           | <b>(3 810 468)</b> | <b>(228 497 239)</b> | <b>(84 040)</b>    | <b>5 391 433 881</b> |

Change in useful life

The useful lives of selected assets were reassessed during the financial year which resulted in a decrease in the depreciation charge amounting to R36 306 705.

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(Registration number GT 481)

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### 8. Property, plant and equipment (continued)

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

|                                    | Opening<br>balance   | Capital<br>Expenditure | impairment<br>reversal | Donations         | WIP Transfers<br>( In/Out) | Derecognition      | Depreciation         | Impairment<br>loss | TOTAL                |
|------------------------------------|----------------------|------------------------|------------------------|-------------------|----------------------------|--------------------|----------------------|--------------------|----------------------|
| Land                               | 33 373 712           | -                      | -                      | -                 | -                          | -                  | -                    | -                  | 33 373 712           |
| Buildings                          | 228 442 492          | -                      | -                      | -                 | 10 779 582                 | (159 302)          | (10 585 627)         | -                  | 228 477 144          |
| Plant and machinery                | 8 723 348            | -                      | -                      | -                 | 1 595 776                  | (330 076)          | (973 943)            | -                  | 9 015 104            |
| Furniture and fixtures             | 4 801 956            | 101 250                | -                      | -                 | 414 044                    | (170 858)          | (983 970)            | -                  | 4 162 422            |
| Motor vehicles                     | 2 016 052            | -                      | -                      | -                 | 624 448                    | (9 999)            | (272 507)            | -                  | 2 357 994            |
| Office equipment                   | 777 709              | -                      | -                      | -                 | 295 820                    | (46 730)           | (174 379)            | -                  | 852 421              |
| IT equipment                       | 1 907 444            | -                      | -                      | 65 300            | 628 965                    | (121 185)          | (424 816)            | -                  | 2 055 708            |
| Roads & Stormwater<br>Network      | 2 202 769 755        | -                      | -                      | 3 478 334         | 46 083 362                 | (552 041)          | (78 851 503)         | (24 475)           | 2 172 903 433        |
| Community assets                   | 526 691 117          | -                      | 30 684                 | 5 927 128         | 111 787 580                | (3 567 749)        | (25 467 953)         | (1 521)            | 615 399 287          |
| Capital WIP Building<br>Property   | 11 880 809           | 1 161 693              | -                      | -                 | (6 753 407)                | -                  | -                    | -                  | 6 289 095            |
| Capital WIP Community              | 94 775 111           | 56 136 809             | -                      | -                 | (111 790 811)              | -                  | -                    | -                  | 39 121 109           |
| Capital WIP Roads &<br>Stormwater  | 47 746 993           | 18 965 254             | -                      | -                 | (45 814 470)               | -                  | -                    | -                  | 20 897 776           |
| Capital WIP Sanitation<br>Network  | 152 417 376          | 22 903 984             | -                      | -                 | (144 223 289)              | -                  | -                    | -                  | 31 098 071           |
| Bins and containers                | 131 334              | -                      | -                      | -                 | 721 936                    | -                  | (135 612)            | -                  | 717 658              |
| Capital WIP Water Network          | 36 280 293           | 33 140 952             | -                      | -                 | (34 888 646)               | -                  | -                    | -                  | 34 532 599           |
| Electricity Network                | 1 007 814 215        | -                      | 40 341                 | 17 378 226        | 20 473 705                 | -                  | (92 685 581)         | -                  | 953 020 906          |
| Emergency Equipment                | 38 652               | -                      | -                      | -                 | -                          | (1 474)            | (12 100)             | -                  | 25 078               |
| Capital WIP Electricity<br>Network | 84 464 927           | 46 488 668             | -                      | -                 | (20 376 941)               | -                  | -                    | -                  | 110 576 664          |
| Other leased Assets                | 9 617 991            | -                      | -                      | -                 | 4 179 848                  | 6 782              | (10 605 101)         | -                  | 3 199 521            |
| Capital WIP Movable Assets         | 4 015 110            | 2 056 714              | -                      | -                 | (4 826 165)                | -                  | -                    | -                  | 1 245 658            |
| Animals PPE                        | 1 904 633            | -                      | -                      | 481 046           | -                          | (356 689)          | (712 685)            | -                  | 1 316 306            |
| Inventory items                    | 538 185              | -                      | -                      | -                 | 28 278                     | (7)                | (509 427)            | -                  | 57 030               |
| Library books                      | 10 269 991           | -                      | -                      | -                 | 516 898                    | (663 001)          | (1 994 232)          | -                  | 8 129 655            |
| Wastewater network                 | 360 612 515          | -                      | -                      | -                 | 153 833 195                | (1 837 162)        | (19 585 725)         | (361 180)          | 492 661 644          |
| Water network                      | 426 564 883          | -                      | -                      | -                 | 47 666 628                 | (321 565)          | (24 786 475)         | -                  | 449 123 471          |
| Air conditioners                   | 22 607               | -                      | -                      | -                 | -                          | (1)                | (7 200)              | -                  | 15 406               |
|                                    | <b>5 258 599 210</b> | <b>180 955 324</b>     | <b>71 025</b>          | <b>27 330 034</b> | <b>30 956 336</b>          | <b>(8 131 057)</b> | <b>(268 768 836)</b> | <b>(387 176)</b>   | <b>5 220 624 872</b> |

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### 8. Property, plant and equipment (continued)

change in useful life

the useful lives of selected assets were reassessed during the financial year which resulted in a depreciation charge amounting to R62 058 446.

#### Assets with carrying value 2015

A register as required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

The municipality has assets with a carrying value of R1 and is intending to replace them in due course. Below is the grouped category of those assets.

| Assets Classification | Number of Assets | Cost              | Accumulated Depreciation | Carrying Value |
|-----------------------|------------------|-------------------|--------------------------|----------------|
| Bins & Containers     | 2                | 6 500 119         | (6 500 118)              | 1              |
| Furniture & Fittings  | 3 260            | 2 156 727         | (2 156 726)              | 1              |
| Inventory Items       | 111              | 1 673 183         | (1 673 182)              | 1              |
| Office Equipment      | 368              | 3 141 648         | (3 141 647)              | 1              |
| Motor Vehicles        | 50               | 409 144           | (409 143)                | 1              |
| Plant & Equipment     | 540              | 5 523 589         | (5 523 588)              | 1              |
| Intangible Assets     | 1                | 291 108           | (291 107)                | 1              |
|                       | <b>4 332</b>     | <b>19 695 518</b> | <b>(19 695 511)</b>      | <b>7</b>       |

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## Notes to the Annual Financial Statements

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### 9. Intangible assets

|                   | 2015             |                          |                | 2014             |                          |                |
|-------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|                   | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 32 709 447       | (11 844 946)             | 20 864 501     | 15 737 368       | (10 876 903)             | 4 860 465      |

#### Reconciliation of intangible assets - 2015

|                               | Opening balance  | Wip-Capital Expenditure | Wip Transfers ( In/Out) | Amortisation     | Total             |
|-------------------------------|------------------|-------------------------|-------------------------|------------------|-------------------|
| Computer software             | 2 352 425        | -                       | 2 596 560               | (968 041)        | 3 980 944         |
| Capital WIP Intangible Assets | 2 508 041        | 16 972 076              | (2 596 560)             | -                | 16 883 557        |
|                               | <b>4 860 466</b> | <b>16 972 076</b>       | <b>-</b>                | <b>(968 041)</b> | <b>20 864 501</b> |

#### Reconciliation of intangible assets - 2014

|                               | Opening balance  | Wip-Capital Expenditure | Derecognition   | Wip-Transferred/Additions | Amortisation     | Total            |
|-------------------------------|------------------|-------------------------|-----------------|---------------------------|------------------|------------------|
| Computer software             | 853 197          | -                       | (66 103)        | 1 965 057                 | (399 726)        | 2 352 425        |
| Capital WIP Intangible assets | 1 959 798        | 2 513 299               | -               | (1 965 057)               | -                | 2 508 040        |
|                               | <b>2 812 995</b> | <b>2 513 299</b>        | <b>(66 103)</b> | <b>-</b>                  | <b>(399 726)</b> | <b>4 860 465</b> |

#### Intangible assets ( continued )

The capital expenditure relates to the acquisition of computer softwares that were purchased not yet ready for use including the development of the IFMS financial system that is earmarked to go live on the 1 July 2015

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### 10. Heritage assets

|   | 2015       |                               |                | 2014       |                               |                |
|---|------------|-------------------------------|----------------|------------|-------------------------------|----------------|
|   | Fair Value | Accumulated impairment losses | Carrying value | Fair Value | Accumulated impairment losses | Carrying value |
| Library books, chief mogale statue & concentration graves | 1 555 766  | -                             | 1 555 766      | 1 552 150  | -                             | 1 552 150      |

#### Reconciliation of heritage assets 2015

|  | Opening balance | Transfer/donation | WIP-CAPEX/Additions | Total     |
|--|-----------------|-------------------|---------------------|-----------|
| Library books, Chief Mogale statue & concentration camp graves | 1 552 150       | 1 916             | 1 700               | 1 555 766 |

#### Reconciliation of heritage assets 2014

|  | Opening balance | Total     |
|--|-----------------|-----------|
| Library books, Chief Mogale statue & concentration camp graves | 1 552 150       | 1 552 150 |

### Heritage assets

#### Chief Mogale Statue & Concentration Camp Graves

A fair value of heritage assets was conducted by qualified professional valuer, in line with the requirements of GRAP 103 as well as the standards and norms for heritage assets as per the Asset Management policy that was adopted by the municipality. The initial recognition of heritage assets is based on the replacement cost method meaning that the cost of heritage assets is based on determining the cost of reconstructing the asset

#### 2015

Additions of R3615 was due to acquisitions of books made during the year under review

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|---|-------------------|-------------------|
| <b>11. Financial assets/Instruments</b>   |                   |                   |
| <b>Investment at fair value</b>   |                   |                   |
| Listed shares(9670 interest in ordinary shares)   | 647 478           | 602 680           |
| These listed shares held by Sanlam Pty Ltd and were valued at a market value of R66.34 (2014:61.75) per share.                    |                   |                   |
| <b>At amortised cost</b>  |                   |                   |
| Investments   | 60 960 081        | 53 332 085        |
| These investments are held by RMB (Rand Mecharnt Bank) which are sinking funds for the long term loans maturing in December 2017. |                   |                   |
| <b>Non-current assets</b>   |                   |                   |
| At fair value( quoted prices (unadjusted) in active markets for identical assets or liabilities                                   | 647 478           | 602 680           |
| At amortised cost   | 60 960 081        | 53 332 085        |
|   | <b>61 607 559</b> | <b>53 934 765</b> |
| Non-current assets  | 61 607 559        | 53 934 765        |
| Current assets  | -                 | -                 |

## 12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

### 2015

|  | Financial instruments at fair value | Financial instruments at amortised | Total              |
|--|-------------------------------------|------------------------------------|--------------------|
| Financial assets (Instruments) (refer to note 11)            | 647 478                             | 60 960 081                         | 61 607 559         |
| Receivables from non- exchange transcatons (refer to note 3) | -                                   | 209 128 384                        | 209 128 384        |
| Receivable from exchange transactions (refer to note 4)      | -                                   | 254 993 946                        | 254 993 946        |
| Call accounts money market accounts (refer to note 5)        | -                                   | 134 644 211                        | 134 644 211        |
| Cash and cash equivalent(refer to note 5)                    | -                                   | 31 209 214                         | 31 209 214         |
|  | <b>647 478</b>                      | <b>690 935 836</b>                 | <b>691 583 314</b> |

### 2014

|   | Financial Instruments at fair value | Financial instruments at amortised | Total              |
|---|-------------------------------------|------------------------------------|--------------------|
| Financial assets (Instruments) (refer to note 11)           | 602 680                             | 53 332 085                         | 53 934 765         |
| Receivables from non- exchange transcatons(refer to note 3) | -                                   | 144 299 811                        | 144 299 811        |
| Receivable from exchange transaction (refer note to 4)      | -                                   | 271 678 379                        | 271 678 379        |
| Call accounts money market account (refer to note 5)        | -                                   | 69 472 679                         | 69 472 679         |
| Cash and cash equivalent(refer to note 5)                   | -                                   | 27 231 925                         | 27 231 925         |
|   | <b>602 680</b>                      | <b>566 014 879</b>                 | <b>566 617 559</b> |



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### 13. Employee benefit obligations

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

| <b>Carrying value</b>   |                      |                      |
|-------------------------|----------------------|----------------------|
| Medical aid fund        | (177 333 692)        | (149 173 423)        |
| Long service awards     | (49 818 016)         | (46 801 479)         |
| Ex-gratia benefits      | (1 049 371)          | (1 260 617)          |
|                         | <b>(228 201 079)</b> | <b>(197 235 519)</b> |
| <hr/>                   |                      |                      |
| Non-current liabilities | (209 371 352)        | (177 607 089)        |
| Current liabilities     | (18 829 727)         | (19 628 430)         |
|                         | <b>(228 201 079)</b> | <b>(197 235 519)</b> |

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The employee benefit obligations were prepared by ARCH Actuarial Consulting.

#### Changes in the present value of the defined benefit obligation are as follows: Medical aid subsidy

|  |                    |                    |
|--|--------------------|--------------------|
| Opening balance  | 149 173 423        | 125 048 159        |
| Net expense recognised in the statement of financial performance | 28 160 269         | 24 125 264         |
|  | <b>177 333 692</b> | <b>149 173 423</b> |

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#### Changes in the present value of the defined benefit obligation are as follows: Long service award

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 46 801 479        | 50 301 745        |
| Net expense recognised in the statement of financial performance | 3 016 537         | (3 500 266)       |
|  | <b>49 818 016</b> | <b>46 801 479</b> |

---

#### Changes in the present value of the defined benefit obligation are as follows: Ex-gratia benefits

|  |                  |                  |
|--|------------------|------------------|
| Opening balance  | 1 260 617        | 1 106 067        |
| Net expense recognised in the statement of financial performance | (211 246)        | 154 550          |
|  | <b>1 049 371</b> | <b>1 260 617</b> |

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| <b>13. Employee benefit obligations (continued)</b>   |                   |                    |
| <b>Net expense recognised in the statement of financial performance:Medical aid subsidy</b> |                   |                    |
| Current service cost  | 7 386 671         | 5 746 461          |
| Benefits paid   | (4 922 808)       | (4 538 020)        |
| Interest cost   | 13 334 931        | 10 807 579         |
| Actuarial (gains) losses  | 12 361 475        | 12 109 244         |
|   | <b>28 160 269</b> | <b>24 125 264</b>  |
| <b>Net expense recognised in the statement of financial performance:Long service award</b>  |                   |                    |
| Current service cost  | 3 546 870         | 4 070 459          |
| Contribution paid (Benefits paid)   | (3 694 819)       | (5 272 423)        |
| Interest cost   | 3 566 085         | 3 432 408          |
| Actuarial (gains) losses  | (401 599)         | (5 730 710)        |
|   | <b>3 016 537</b>  | <b>(3 500 266)</b> |
| <b>Net expense recognised in the statement of financial performance:Ex-gratia benefits</b>  |                   |                    |
| Contribution paid ( Benefits paid)  | (366 959)         | (9 534)            |
| Interest cost   | 100 449           | 82 560             |
| Actuarial (gains) losses  | 55 264            | 81 524             |
|   | <b>(211 246)</b>  | <b>154 550</b>     |

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### 13. Employee benefit obligations (continued)

#### Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

|                                 |        |        |
|---------------------------------|--------|--------|
| Discount rates used             | 8,97 % | 9,06 % |
| Health care cost inflation rate | 8,07 % | 8,25 % |
| Net effective discount rate     | 0,84 % | 0,75 % |

The basis used to determine the discount rate

A discount rate of 8.97% per annum has been used. The corresponding index-linked yield at this term is 1.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield)

#### Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.07% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.57%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.84% which derives from  $((1+8.97\%)/(1+8.07\%))-1$ .

The expected inflation assumption of 6.57% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.79%) and those of fixed interest bonds (8.97%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+8.97\%-0.50\%)/(1+1.79\%))-1$ .

The next contribution increase was assumed to occur with effect from 1 January 2016.

#### Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

#### Sensitivity Analysis on the Accrued Liability (R Millions)

| Assumption                               | Change | In-service | Continuation | Total   | % change |
|--|--------|------------|--------------|---------|----------|
| Central Assumptions                      |        | 116.077    | 61.257       | 177.334 |          |
| Health care inflation                    | +1%    | 140.184    | 66.923       | 207.108 | 17%      |
|  | -1%    | 96.185     | 56.297       | 152.482 | -14%     |
| Discount Rate                            | +1%    | 95.904     | 56.374       | 152.278 | -14%     |
|  | -1%    | 142.190    | 66.933       | 209.122 | 18%      |
| Post-retirement Mortality                | -1yr   | 120.224    | 63.937       | 184.161 | 4%       |
| Average retirement age                   | -1yr   | 125.363    | 61.257       | 186.619 | 5%       |
| Continuation of membership at retirement | -10%   | 97.332     | 61.257       | 158.589 | -11%     |

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### 13. Employee benefit obligations (continued)

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2015

| Assumption                               | Change | Current-Service Cost | Interest Cost | Total      | % change |
|--|--------|----------------------|---------------|------------|----------|
| Central Assumptions                      |        | 7,386,700            | 13,334,900    | 20,721,600 |          |
| Health care inflation                    | +1%    | 8,813,100            | 15,375,000    | 24,188,100 | 17%      |
| Discount Rate                            | -1%    | 6,093,700            | 11,522,700    | 17,616,400 | -15%     |
|  | +1%    | 6,060,800            | 12,662,700    | 18,723,500 | -10%     |
|  | -1%    | 9,124,200            | 14,041,100    | 23,165,300 | 12%      |
| Post-retirement Mortality                | -1yr   | 7,648,600            | 13,861,700    | 21,510,300 | 4%       |
| Average retirement age                   | -1yr   | 7,769,000            | 14,049,500    | 21,818,500 | 5%       |
| Continuation of membership at retirement | -10%   | 6,271,900            | 11,841,600    | 18,113,500 | -13%     |

#### Key assumptions used: Long service award

Assumptions used at the reporting date:

|                             |        |        |
|-----------------------------|--------|--------|
| Discount rates used         | 7,92 % | 7,95 % |
| General salary inflation    | 7,02 % | 7,13 % |
| Net effective discount rate | 0,84 % | 0,77 % |

The basis used to determine the discount rate

A discount rate of 7.92% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.32%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 6.91 years.

**Salary Inflation Rate:** This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

**General Salary Inflation:** This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.02% was obtained from the differential between market yields on index-linked bonds (1.32%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.92%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+7.92\%-0.50\%)/(1+1.32\%))-1$ .

Thus, a general salary inflation rate of 7.02% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.84%. It has been assumed that the next salary increase will take place on 1 July 2016.

#### Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;

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### 13. Employee benefit obligations (continued)

(iii) A two-year decrease and increase in the assumed average retirement age of employees; and

(iv) A 50% decrease in the assumed withdrawal rates from service.

#### Sensitivity Analysis on the Accrued Liability (R Millions)

| Assumption               | Change | Total Liability | % Change |
|--------------------------|--------|-----------------|----------|
| Central Assumptions      |        | 49.818          |          |
| General salary inflation | +1%    | 52.947          | 6%       |
|                          | -1%    | 46.981          | -6%      |
| Discount Rate            | +1%    | 46.807          | -6%      |
|                          | -1%    | 53.203          | 7%       |
| Average retirement age   | -2 yrs | 44.535          | -11%     |
|                          | +2 yrs | 54.850          | 10%      |
| Withdrawal Rate          | -50%   | 57.432          | 15%      |

#### Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2015

| Assumption               | Change | Current-Service Cost | Interest Cost | Total     | % change |
|--------------------------|--------|----------------------|---------------|-----------|----------|
| Central Assumptions      |        | 3,546,900            | 3,566,100     | 7,113,000 |          |
| General salary inflation | +1%    | 3,842,900            | 3,806,200     | 7,649,100 | 8%       |
|                          | -1%    | 3,282,700            | 3,348,400     | 6,631,100 | -7%      |
| Discount Rate            | +1%    | 3,270,800            | 3,754,400     | 7,025,200 | -1%      |
|                          | -1%    | 3,862,600            | 3,344,900     | 7,207,500 | 1%       |
| Average retirement age   | -2 yrs | 3,210,700            | 3,163,400     | 6,374,100 | -10%     |
|                          | +2 yrs | 3,842,200            | 3,946,000     | 7,788,200 | 9%       |
| Withdrawal Rate          | -50%   | 4,528,800            | 4,148,500     | 8,677,300 | 22%      |

#### Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

|   |        |        |
|---|--------|--------|
| Discount rates used                           | 8,20 % | 8,14 % |
| Salary increase rate ( for Lump Sum Benefits) | 6,97 % | 7,14 % |
| Net effective discount rate                   | 1,15 % | 0,93 % |

The basis used to determine the discount rate

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

A discount rate of 8.20% per annum has been used. The corresponding index-linked yield at this term is 1.63%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve.

CPI Inflation Rate: This assumption is used to calculate the estimated growth in salaries of the eligible employees. Salaries were assumed to increase by 1% above expected CPI inflation.

An expected inflation assumption of 5.97% was obtained from the differential between market yields on index-linked bonds (1.63%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.20%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $(1+8.20\%-0.50\%)/(1+1.63\%)$ .

#### Sensitivity Results

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### 13. Employee benefit obligations (continued)

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate; and
- (iii) A one-year decrease in the assumed average retirement age.

#### Sensitivity Analysis on the Accrued Liability (R Millions)

| Assumption             | Change | Total Liability | % Change |
|------------------------|--------|-----------------|----------|
| Central Assumptions    |        | 1,049,371       |          |
| Benefit Increase rate  | +1%    | 1,103,359       | 5%       |
|                        | -1%    | 998,170         | -5%      |
| Discount Rate          | +1%    | 999,189         | -5%      |
|                        | -1%    | 1,103,240       | 5%       |
| Average retirement age | -1 yr  | 1,083,692       | 3%       |

#### Sensitivity Analysis on the interest costs for the year ending 30 June 2015

| Assumption             | Change | Total Liability | % Change |
|------------------------|--------|-----------------|----------|
| Central Assumptions    |        | 100,449         |          |
| Pension Increase rate  | +1%    | 106,375         | 6%       |
|                        | -1%    | 94,854          | -6%      |
| Discount Rate          | +1%    | 106,624         | 6%       |
|                        | -1%    | 93,303          | -7%      |
| Average retirement age | -1 yr  | 101,606         | 1%       |

### 14. Finance lease obligation

#### Minimum lease payments due

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| - within one year                   | 4 460 781 | 2 949 294 |
| - in second to fifth year inclusive | 8 527 679 | 575 160   |
| - later than five years             | 2 186 746 | 2 273 488 |

|                              |             |             |
|------------------------------|-------------|-------------|
|                              | 15 175 206  | 5 797 942   |
| less: future finance charges | (3 615 911) | (2 184 962) |

**Present value of minimum lease payments** **11 559 295** **3 612 980**

#### Present value of minimum lease payments due

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| - within one year                   | 3 884 181 | 2 643 739 |
| - in second to fifth year inclusive | 6 783 852 | 109 313   |
| - later than five years             | 891 262   | 859 928   |

**11 559 295** **3 612 980**

|                         |           |           |
|-------------------------|-----------|-----------|
| Non-current liabilities | 7 675 114 | 969 241   |
| Current liabilities     | 3 884 181 | 2 643 739 |

**11 559 295** **3 612 980**

The average lease term is 30 years and the average effective borrowing rate is 13.58%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate on a fixed rate and some fluctuate with the prime lending rate. No arrangements have been entered into for contingent rent.

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| <b>15. Unspent conditional grants and receipts</b>           |                   |                  |
| <b>Unspent conditional grants and receipts comprises of:</b> |                   |                  |
| <b>Unspent conditional grants and receipts</b>               |                   |                  |
| MIG grants   | -                 | 3 350 339        |
| Department of Human Settlement                               | 2 295 010         | 2 295 010        |
| SRAC grant   | 676 525           | 2 033            |
| WRDM grants  | 76 959            | -                |
| GDCOGTA:ALOE CAP   | -                 | 547 000          |
| MSIG Grant   | 30 550            | -                |
| NDPG   | 19 815 431        | 1 988 822        |
| Energy Efficiency & Demand Side Management Grant             | 448 092           | -                |
| GDARD:Environment  | 480 000           | -                |
|  | <b>23 822 567</b> | <b>8 183 204</b> |

### Movement during the year

|                                      |                   |                  |
|--------------------------------------|-------------------|------------------|
| Balance at the beginning of the year | 8 183 204         | 7 984 020        |
| Additions during the year            | 127 549 929       | 119 940 084      |
| Income recognition during the year   | (111 910 566)     | (119 740 900)    |
|                                      | <b>23 822 567</b> | <b>8 183 204</b> |

Request for roll-over unspent Human Settlement Grant was not approved by Gauteng Provincial Treasury. The amount of R2 295 010,54 will be paid in the 2015/16 financial year.

Request for roll-over on unspent Neighbourhood Development Partnership Grant was not approved by National Treasury. The amount of R 17 826 608,86 will be paid in the 2015/16 financial year.

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### 16. Provisions

#### Reconciliation of provisions - 2015

|                              | Opening Balance   | Additions        | Utilised during the year | Reversed during the year | Change in discount factor | Total             |
|------------------------------|-------------------|------------------|--------------------------|--------------------------|---------------------------|-------------------|
| Landfill site rehabilitation | 14 894 227        | -                | -                        | -                        | 1 526 659                 | 16 420 886        |
| Bonus provision              | 12 013 199        | 4 262 301        | (1 721 337)              | (469 455)                | -                         | 14 084 708        |
|                              | <b>26 907 426</b> | <b>4 262 301</b> | <b>(1 721 337)</b>       | <b>(469 455)</b>         | <b>1 526 659</b>          | <b>30 505 594</b> |

#### Reconciliation of provisions - 2014

|                              | Opening Balance   | Additions        | Utilised during the year | Reversed during the year | Change in discount factor | Total             |
|------------------------------|-------------------|------------------|--------------------------|--------------------------|---------------------------|-------------------|
| Landfill site rehabilitation | 13 509 502        | -                | -                        | -                        | 1 384 725                 | 14 894 227        |
| Bonus provision              | 9 775 584         | 5 592 547        | (2 954 696)              | (400 236)                | -                         | 12 013 199        |
|                              | <b>23 285 086</b> | <b>5 592 547</b> | <b>(2 954 696)</b>       | <b>(400 236)</b>         | <b>1 384 725</b>          | <b>26 907 426</b> |

|                         |  |  |  |  |                   |                   |
|-------------------------|--|--|--|--|-------------------|-------------------|
| Non-current liabilities |  |  |  |  | 16 420 886        | 14 894 227        |
| Current liabilities     |  |  |  |  | 14 084 708        | 12 013 199        |
|                         |  |  |  |  | <b>30 505 594</b> | <b>26 907 426</b> |

#### a. Landfill Site Rehabilitation

In terms of the review performed by i@ Consulting prepared by the qualified Certified Professional Engineer, certified professional assets Assessor, professional construction project manager, project management professional Rob Childs. Provision required for restoration of the existing landfill sites is as follows:

1. The Luipaardsvlei Landfill Site is expected to continue to operate to 2018, with the restoration 2 years after closure which is expected in 2021. The new phase 4 is currently on construction and no provision required at this stage.
2. The Magaliesburg Landfill Site is expected to continue to operate for another 3 years to June 2018, with restoration of the cells expected in 2021.
3. Based on the above, and a discount rate of 10.25%, the provisions at 30 June 2015 will be as follows:

The provision at 30 June 2015 is as follows:

a. Luipaardsvlei original cell Landfill Site :R12 310 047

b. Magalies Landfill Site R4 110 839

Total Provision R16 420 886



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### 17. Financial liabilities by category

#### 2015

|  | Financial liabilities at amortised cost | Total                |
|--|---|----------------------|
| Current financial liabilities( refer to note 19)                   | 41 345 977                              | 41 345 977           |
| Payables from exchange transactions(refer to note 18)              | 527 407 415                             | 527 407 415          |
| Non current financial liabilities(refer to note 19)                | 511 478 252                             | 511 478 252          |
| Consumer deposits(refer to note 22)                                | 50 541 773                              | 50 541 773           |
| Sundry deposits(refer to note 20)                                  | 10 590 585                              | 10 590 585           |
| Current and non current finance lease obligation(refer to note 14) | 11 559 295                              | 11 559 295           |
|  | <b>1 152 923 297</b>                    | <b>1 152 923 297</b> |

#### 2014

|   | Financial liabilities at amortised cost | Total              |
|---|---|--------------------|
| Current financial liabilities(refer to note 19)                     | 23 154 351                              | 23 154 351         |
| Payables from exchange transactions (refer to note 18)              | 441 144 643                             | 441 144 643        |
| Non-Current financial liabilities(refer to note 19)                 | 320 848 444                             | 320 848 444        |
| Consumer deposits(refer to note 22)                                 | 45 609 474                              | 45 609 474         |
| Sundry deposits(refer to note 20)                                   | 9 968 309                               | 9 968 309          |
| Current and non-current finance lease obligation (refer to note 14) | 3 612 980                               | 3 612 980          |
|   | <b>844 338 201</b>                      | <b>844 338 201</b> |

### 18. Payables from exchange transactions

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Trade payables                    | 320 701 179        | 253 593 115        |
| Credit balance from other debtors | 7 533 207          | 5 571 571          |
| Third Party payments              | 976 914            | 20 428 865         |
| Unpresented cheques               | 20 785 061         | 1 539 783          |
| Consumer debtor credit balances   | 58 328 873         | 49 991 014         |
| Receivables credit balances       | 5 233              | 4 939              |
| Inventory in transit              | 49 469             | 151 142            |
| Insurance claim                   | -                  | 26 062             |
| Unallocated cash                  | 964 156            | 964 156            |
| Undistributed deposit             | 21 733 661         | 22 460 581         |
| Retention                         | 30 376 249         | 29 654 188         |
| Overtime accrual                  | 2 687 955          | 2 552 512          |
| Leave accrual                     | 50 259 529         | 44 182 391         |
| Bonus accrual                     | 13 005 929         | 10 024 325         |
|                                   | <b>527 407 415</b> | <b>441 144 644</b> |

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

| Figures in Rand  | 2015               | 2014               |
|--|--------------------|--------------------|
| <b>19. Financial liabilities</b>   |                    |                    |
| <b>At amortised cost</b>   |                    |                    |
| DBSA 10935   | 87 545 508         | 87 545 508         |
| A total of 17 structured 20-year loans to the value of R90 million in total bearing interest at a fixed rate of 15% per annum, of which, these loans are repayable semi-annually in unequal instalments of fixed interest over 20 years, and the balance of R84 million payable in one instalment on 31 March 2018. The bullet repayment of the R84 million capital will be financed from a 20-year sinking-fund guaranteed investment trust purchased from Rand Marchant Bank and Momentum Investments. |                    |                    |
| L239DBSA2029   | 232 058 393        | -                  |
| An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of .   |                    |                    |
| DBSA L103217(1)  | 11 238 371         | 13 820 378         |
| An unsecured fixed-term loan bearing interest at a fixed rate of 12.11% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 October 2018.  |                    |                    |
| DBSA L103217(2)  | 2 442 946          | 3 076 681          |
| An unsecured fixed-term loan bearing interest at a fixed rate of 6.65% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 October 2018.   |                    |                    |
| FNB  | 9 744 923          | 18 432 429         |
| An unsecured fixed-term loan bearing interest at a fixed rate of 11.67% per annum, repayable quarterly in equal instalments. this loan will be fully paid on 31 May 2016.  |                    |                    |
| ABSA   | 38 160 390         | 42 479 842         |
| An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. this loan will be fully paid on 02 August 2021.   |                    |                    |
| NEDBANK  | 171 633 698        | 178 647 957        |
| An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. this loan will be fully paid on 31 Dec 2027.   |                    |                    |
|  | <b>552 824 229</b> | <b>344 002 795</b> |
| <b>Total financial liabilities</b>   | <b>552 824 229</b> | <b>344 002 795</b> |
| <b>2015</b>  |                    |                    |
| Mogale City Sourced financing of infrastructure capital projects amounting to R 239,500,000 from DBSA during the year under review, included in the closing balance of R 552,824,229 is the long term borrowing from the the previous years sourced from various banks namely DBSA, ABSA, FNB & Nedbank.   |                    |                    |
| <b>2014</b>  |                    |                    |
| During the year under review Mogale City did not source financing  |                    |                    |
| <b>Non-current liabilities</b>   |                    |                    |
| At amortised cost  | 511 478 252        | 320 848 444        |
| <b>Current liabilities</b>   |                    |                    |
| At amortised cost  | 41 345 977         | 23 154 351         |
| <b>20. Sundry deposits</b>   |                    |                    |
| Services deposits  | 10 590 585         | 9 968 309          |
| Sundry deposits consists of hall, kerb, builder's water and key deposits.  |                    |                    |
| <b>21. VAT payable (SARS)</b>  |                    |                    |
| VAT payables   | 61 135 743         | 71 703 521         |

# Mogale City Local Municipality

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Figures in Rand 2015 2014

### 21. VAT payable (SARS) (continued)

VAT is payable on the receipt basis. When payment is received from debtors the municipality pay VAT over to SARS. All VAT returns have been submitted by due date throughout the Financial year.

### 22. Consumer deposits

Electricity and water 50 541 773 45 609 474

The above deposits represent Electricity & Water deposits as the current tariff structure do not permit individual deposit verification

### 23. sundry deposits

|  |           |           |
|--|-----------|-----------|
| Impairment receivables                             | (667 362) | (749 464) |
| Sundry loans                                       | 418 074   | 487 176   |
| Receivables credit balance transferred (creditors) | 5 233     | 4 939     |
| Stand and housing loans capital                    | 244 055   | 257 349   |
|  | -         | -         |

### Non-current receivables impaired

As of 30 June 2015, the total trade and other receivables of R 667 362 (2014: R 749 464) were impaired.

The ageing of these loans is as follows:

Over 6 months 667 362 749 464

### Reconciliation of provision for impairment of non-current receivables

|  |                |                |
|--|----------------|----------------|
| Opening balance                                      | 749 464        | 1 171 401      |
| Reversal of provision (Written off as uncollectable) | (82 102)       | (421 937)      |
|  | <b>667 362</b> | <b>749 464</b> |

### 24. Revenue

|   |                      |                      |
|---|----------------------|----------------------|
| Service charges                         | 1 223 217 795        | 1 122 808 921        |
| Rental of facilities and equipment      | 3 365 966            | 2 969 096            |
| Interest received - Outstanding debtors | 22 291 041           | 14 517 937           |
| Income from agency services             | 22 184 201           | 21 407 917           |
| Licences and permits                    | 19 448               | 28 140               |
| Other income                            | 91 787 667           | 86 094 218           |
| Interest received - investment          | 17 329 001           | 12 624 109           |
| Dividends received                      | 18 666               | 34 455               |
| Property rates                          | 394 494 590          | 308 722 620          |
| Penalties imposed                       | 24 995 256           | 32 025 759           |
| Government grants & subsidies           | 350 004 565          | 340 624 729          |
| Fines, penalties and forfeits           | 134 576 988          | 170 003 359          |
|   | <b>2 284 285 184</b> | <b>2 111 861 260</b> |

# Mogale City Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2015                      2014

### 24. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

|   |                      |                      |
|---|----------------------|----------------------|
| Service charges                         | 1 223 217 795        | 1 122 808 921        |
| Rental of facilities and equipment      | 3 365 966            | 2 969 096            |
| Interest received - Outstanding debtors | 22 291 041           | 14 517 937           |
| Income from agency services             | 22 184 201           | 21 407 917           |
| Licences and permits                    | 19 448               | 28 140               |
| Other income                            | 91 787 667           | 86 094 217           |
| Interest received - investment          | 17 329 001           | 12 624 109           |
| Dividends received                      | 18 666               | 34 455               |
|   | <b>1 380 213 785</b> | <b>1 260 484 792</b> |

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

|                   |             |             |
|-------------------|-------------|-------------|
| Property rates    | 394 494 590 | 308 722 620 |
| Penalties imposed | 24 995 256  | 32 025 759  |

#### Transfer revenue

|                               |             |             |
|-------------------------------|-------------|-------------|
| Government grants & subsidies | 350 004 565 | 340 624 729 |
| Fines, penalties and forfeits | 134 576 988 | 170 003 359 |

**904 071 399      851 376 467**

### 25. Service charges

|                                 |                      |                      |
|---------------------------------|----------------------|----------------------|
| Service charges                 | 35 384 919           | 29 662 834           |
| Sale of electricity             | 775 085 921          | 723 267 882          |
| Sale of water                   | 181 168 919          | 164 087 024          |
| Sewerage and sanitation charges | 127 544 240          | 105 154 920          |
| Refuse removal                  | 104 033 796          | 100 636 260          |
|                                 | <b>1 223 217 795</b> | <b>1 122 808 920</b> |

### 26. Rental of facilities and equipment

#### Facilities and equipment

|                          |           |           |
|--------------------------|-----------|-----------|
| Rental of facilities     | 3 365 966 | 2 969 096 |
| Premises                 | -         | -         |
| Garages and parking      | -         | -         |
| Facilities and equipment | 3 365 966 | 2 969 096 |

### 27. Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement. Income from agency amounted to R22,184,201 in the year under review and R21,407,918 in 2014.

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## Notes to the Annual Financial Statements

| Figures in Rand                           | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>28. Other receivables income</b>       |                   |                   |
| Administration fees                       | 419 435           | 1 804 699         |
| Advertising                               | 2 319 025         | 1 481 662         |
| Application fees                          | 549 213           | 514 034           |
| Building plan fees                        | 2 693 430         | 5 485 873         |
| Bulk service connections                  | 945 809           | 3 674 977         |
| Cemetery fees                             | 2 213 036         | 2 061 040         |
| Contributions                             | 5 679 234         | 2 874 770         |
| Insurance claims                          | 578 033           | 74 965            |
| Medical aid contributions( Pensioners)    | -                 | 51 104            |
| Other income                              | 4 531 160         | 4 105 317         |
| Sale of assets                            | 2 548 246         | 6 310 711         |
| Services connections                      | 6 560 741         | 5 115 515         |
| Unclaimed monies                          | -                 | 4 245             |
| Investment property fair value adjustment | 18 982 794        | 23 644 383        |
| Donation/Assets transferred               | 40 640 926        | 27 330 035        |
| Fair value shares                         | 44 798            | 153 720           |
| DOE (Sanedi donation)                     | 1 500 000         | -                 |
| Bontle ke Botho                           | 150 000           | -                 |
| Seta training                             | 884 787           | 1 407 167         |
| DGCOGTA:Aloecap Project                   | 547 000           | -                 |
|   | <b>91 787 667</b> | <b>86 094 217</b> |

### 2015

#### Transfer/Donation of an assets

Due to the Netcare private hospital constructed at Pinehaven intersection a new energy substation was built by the developer and a link was created between Muldersdrift Libertas 33kv line was added. These assets were therefore handed to the municipality for future maintenance and control. The other general assets acquired at no cost such as breeding of animals and land donated are added to the amount of R40 640 926 as disclosed

#### Bontle ke Botho,Seta and DGCOGTA:Aloecap

These grants do not form part of the conditional grants because their are not gazetted

### 2014

#### Transfer of assets:

Transferred assets (mostly bulk electricity supply to Pinehaven & roads & stormwater for the new mall and Kagiso Library) of about R27 330 035 which in terms of GRAP should be recognized as income.

### 29. Investment revenue

#### Dividend received

|           |        |        |
|-----------|--------|--------|
| Dividends | 18 666 | 34 455 |
|-----------|--------|--------|

#### Interest received- external investment

|                                 |            |            |
|---------------------------------|------------|------------|
| Interest on investments         | 16 396 029 | 11 986 053 |
| Interest on favourable balances | 932 972    | 638 056    |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>17 329 001</b> | <b>12 624 109</b> |
|--|-------------------|-------------------|

|          |        |        |
|----------|--------|--------|
| Dividend | 18 666 | 34 455 |
|----------|--------|--------|

|                 |            |            |
|-----------------|------------|------------|
| Interest income | 17 329 001 | 12 624 109 |
|-----------------|------------|------------|

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| <b>Total revenue from investments</b> | <b>17 347 667</b> | <b>12 658 564</b> |
|---------------------------------------|-------------------|-------------------|

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## Notes to the Annual Financial Statements

| Figures in Rand                       | 2015               | 2014               |
|---------------------------------------|--------------------|--------------------|
| <b>30. Property rates</b>             |                    |                    |
| <b>Rates received</b>                 |                    |                    |
| Residential                           | 393 807 945        | 318 182 470        |
| Commercial & Educational Institutions | 184 020 445        | 149 485 416        |
| Small holdings and farms              | 25 376 850         | 20 326 766         |
| Less: Income forgone                  | (208 710 650)      | (179 272 032)      |
|                                       | 394 494 590        | 308 722 620        |
| Penalties imposed                     | 24 995 256         | 32 025 759         |
|                                       | <b>419 489 846</b> | <b>340 748 379</b> |

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## Notes to the Annual Financial Statements

| Figures in Rand                            | 2015               | 2014               |
|--|--------------------|--------------------|
| <b>31. Government grants and subsidies</b> |                    |                    |
| <b>Operating grants</b>                    |                    |                    |
| Equitable share                            | 238 641 000        | 222 291 000        |
| MIG  | 1 699 756          | 1 973 915          |
| Expanded public works programme            | 2 052 000          | 2 872 548          |
| WRDM grant                                 | 2 651 969          | 2 671 680          |
| SRAC grants                                | 4 266 998          | 3 622 989          |
| MSIG                                       | -                  | 783 450            |
| Social Development-GDSD                    | -                  | 2 642 064          |
| FMG  | 1 450 000          | 1 300 000          |
|  | <b>250 761 723</b> | <b>238 157 646</b> |
| <b>Capital grants</b>                      |                    |                    |
| DoE  | 3 551 908          | -                  |
| MIG  | 78 639 581         | 89 664 295         |
| SRAC grants                                | 3 764 511          | 499 978            |
| MSIG                                       | 903 450            | 106 550            |
| NDPG                                       | 12 383 391         | 10 011 177         |
| District Municipality Area                 | -                  | 2 185 084          |
|  | <b>99 242 841</b>  | <b>102 467 084</b> |
|  | <b>350 004 564</b> | <b>340 624 730</b> |

### Equitable Share

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

All registered indigents receive a monthly subsidy based on indigent management policy, which is funded from the grant.

### MIG grant

|   |              |                  |
|---|--------------|------------------|
| Balance unspent at beginning of year    | 3 350 338    | 892 548          |
| Current-year receipts                   | 76 989 000   | 94 096 000       |
| Conditions met - transferred to revenue | (80 339 338) | (91 638 210)     |
|   | <b>-</b>     | <b>3 350 338</b> |

### Department of human settlement grant

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Balance unspent at beginning of year | 2 295 011 | 2 295 011 |
|--------------------------------------|-----------|-----------|

Conditions still to be met - remain liabilities (see note 15)

This grant is administered on behalf of the department of human settlement for the erection of RDP houses.

### SRAC grant

|   |                |              |
|---|----------------|--------------|
| Balance unspent at beginning of year    | 2 033          | -            |
| Current-year receipts                   | 8 706 000      | 4 125 000    |
| Conditions met - transferred to revenue | (8 031 509)    | (4 122 967)  |
|   | <b>676 524</b> | <b>2 033</b> |

Conditions still to be met - remain liabilities (see note 15)

The grant is utilised for the libraries and sports facilities around Mogale City.

### GDARD:ENVIRONMENT

|                       |                |          |
|-----------------------|----------------|----------|
| Current-year receipts | 480 000        | -        |
|                       | <b>480 000</b> | <b>-</b> |

Conditions still to be met - remain liabilities (see note 15)

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## Notes to the Annual Financial Statements

| Figures in Rand  | 2015          | 2014           |
|--|---------------|----------------|
| <b>31. Government grants and subsidies (continued)</b>   |               |                |
| The grant is used to refurbish the water care works in Mogale City and demand water management strategy.                               |               |                |
| <b>GDSD grant</b>  |               |                |
| Balance unspent at beginning of year   | -             | 3 064          |
| Current-year receipts  | -             | 2 639 000      |
| Conditions met - transferred to revenue  | -             | (2 642 064)    |
|  | -             | -              |
| <b>WRDM grant</b>  |               |                |
| Balance unspent at beginning of year   | -             | 2 185 084      |
| Current-year receipts  | 2 728 928     | 2 671 680      |
| Conditions met - transferred to revenue  | (2 651 969)   | (4 856 764)    |
|  | <b>76 959</b> | -              |
| Conditions still to be met - remain liabilities (see note 15)  |               |                |
| WRDM funds various activities in the municipality e.g. HIV/AIDS, primary health care, programmes for the youth, elderly, disabled etc. |               |                |
| <b>Expanded public works programme</b>   |               |                |
| Balance unspent at beginning of year   | -             | 978 548        |
| Current-year receipts  | 2 052 000     | 1 894 000      |
| Conditions met - transferred to revenue  | (2 052 000)   | (2 872 548)    |
|  | -             | -              |
| <b>Seta training grants</b>  |               |                |
| Balance unspent at beginning of year   | -             | 1 082 766      |
| Current-year receipts  | -             | 324 401        |
| Conditions met - transferred to other receivable income  | -             | (1 407 167)    |
|  | -             | -              |
| <b>GDCOGTA: Aloe Cap</b>   |               |                |
| Balance unspent at beginning of year   | 547 000       | 547 000        |
| Conditions met - transferred to other receivable income  | (547 000)     | -              |
|  | -             | <b>547 000</b> |
| <b>FMG</b>   |               |                |
| Current-year receipts  | 1 450 000     | 1 300 000      |
| Conditions met - transferred to revenue  | (1 450 000)   | (1 300 000)    |
|  | -             | -              |
| The grant is used for financial management Interns and other financial related projects.   |               |                |
| <b>MSIG</b>  |               |                |
| Current-year receipts  | 934 000       | 890 000        |
| Conditions met - transferred to revenue  | (903 450)     | (890 000)      |



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| Figures in Rand   | 2015              | 2014             |
|---|-------------------|------------------|
| <b>31. Government grants and subsidies (continued)</b>  | <b>30 550</b>     | <b>-</b>         |
| Conditions still to be met - remain liabilities (see note 15)   |                   |                  |
| The grants is to be utilised for the purchase of internal audit software.   |                   |                  |
| <b>Dep of Energy</b>  |                   |                  |
| Current-year receipts   | 4 000 000         | -                |
| Conditions met - transferred to revenue   | (3 551 908)       | -                |
|   | <b>448 092</b>    | <b>-</b>         |
| Conditions still to be met - remain liabilities (see note 15).  |                   |                  |
| The grant is utilised for electricity demand site management .  |                   |                  |
| <b>NDPG</b>   |                   |                  |
| Balance unspent at beginning of year  | 1 988 823         | -                |
| Current-year receipts   | 30 210 000        | 12 000 000       |
| Conditions met - transferred to revenue   | (12 383 391)      | (10 011 177)     |
|   | <b>19 815 432</b> | <b>1 988 823</b> |
| Conditions still to be met - remain liabilities (see note 15).  |                   |                  |
| The grant is to be utilised for the construction of pedestrian walk ways in Lerarong, Jacobs & Geba street intersection , Munsieville Township and Kagiso Drive |                   |                  |
| <b>DMA</b>  |                   |                  |
| Balance unspent at beginning of year  | -                 | 2 185 084        |
| Conditions met - transferred to revenue   | -                 | (2 185 084)      |
|   | <b>-</b>          | <b>-</b>         |

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## Notes to the Annual Financial Statements

| Figures in Rand   | 2015               | 2014               |
|---|--------------------|--------------------|
| <b>32. Employee related costs</b>   |                    |                    |
| Basic Salaries  | 335 159 704        | 303 572 052        |
| Bonus   | 26 981 623         | 24 750 776         |
| Medical aid - company contributions   | 22 505 618         | 19 481 066         |
| UIF   | 2 657 984          | 2 581 178          |
| SDL   | 140 813            | 133 540            |
| Leave pay provision charge  | 3 171 893          | 1 554 919          |
| Defined contribution plans (pension funds)  | 59 279 910         | 54 439 623         |
| Overtime payments   | 30 419 898         | 26 950 516         |
| Long-service awards   | 293 476            | 209 254            |
| Acting allowances   | 1 891 960          | 1 726 612          |
| Car allowance   | 37 733 419         | 35 279 447         |
| Housing Subsidy   | 1 885 056          | 1 637 875          |
| Section 57 Salaries   | 14 424 013         | 13 209 259         |
|   | <b>536 545 367</b> | <b>485 526 117</b> |
| <b>Remuneration of Municipal Manager(Mashitisho D.M)</b>                                    |                    |                    |
| Annual Remuneration   | 1 560 424          | 1 426 247          |
| Car Allowance   | 144 000            | 144 000            |
| Performance Bonuses   | 332 050            | 125 992            |
| Contributions to UIF, Medical and Pension Funds   | 118 898            | 108 829            |
|   | <b>2 155 372</b>   | <b>1 805 068</b>   |
| <b>Remuneration of Chief Finance Officer( Mahuma L.M.E)</b>                                 |                    |                    |
| Annual Remuneration   | 1 171 796          | 1 061 322          |
| Car Allowance   | 240 000            | 240 000            |
| Performance Bonuses   | 128 338            | 119 385            |
| Contributions to UIF, Medical and Pension Funds   | 89 751             | 81 460             |
|   | <b>1 629 885</b>   | <b>1 502 167</b>   |
| <b>Chief Operating Officer(Mbulawa A.)</b>  |                    |                    |
| Annual Remuneration   | 1 243 530          | 1 133 237          |
| Car Allowance   | 120 000            | 120 000            |
| Performance Bonuses   | 89 837             | -                  |
| Contributions to UIF, Medical and Pension Funds   | 138 017            | 129 545            |
|   | <b>1 591 384</b>   | <b>1 382 782</b>   |
| <b>Executive Manager Corporate Support Services(R Mokebe)</b>                               |                    |                    |
| Annual Remuneration   | 1 158 996          | 1 052 962          |
| Car Allowance   | 180 000            | 180 000            |
| Performance Bonuses   | 137 505            | -                  |
| Contributions to UIF, Medical and Pension Funds   | 1 866              | 1 861              |
|   | <b>1 478 367</b>   | <b>1 234 823</b>   |
| <b>Chief Audit Executive (CD Ngutshana) Appointed 01st February 2014</b>                    |                    |                    |
| Annual Remuneration   | 1 224 232          | 437 278            |
| Car Allowance   | 72 000             | -                  |
| Performance Bonuses   | 137 505            | -                  |
| Contributions to UIF, Medical and Pension Funds   | 37 528             | 44 775             |
| Leave Resignation   | -                  | 120 837            |
|   | <b>1 471 265</b>   | <b>602 890</b>     |
| <b>Executive Manager Infrastructure Management(MD Mokotedi) Resigned 30th November 2014</b> |                    |                    |

# Mogale City Local Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand   | 2015             | 2014             |
|---|------------------|------------------|
| <b>32. Employee related costs (continued)</b>   |                  |                  |
| Annual Remuneration   | 528 088          | 1 148 040        |
| Car Allowance   | 100 000          | 240 000          |
| Performance Bonuses   | 90 300           | 84 000           |
| Contributions to UIF, Medical and Pension Funds   | 926              | 1 861            |
| Leave Selling   | 78 385           | -                |
|   | <b>797 699</b>   | <b>1 473 901</b> |
| <b>Executive Manager Integrated Environmental Management(MN Mokoena)</b>                  |                  |                  |
| Annual Remuneration   | 1 169 774        | 1 075 835        |
| Car Allowance   | 81 489           | 81 489           |
| Performance Bonuses   | 137 505          | 106 593          |
| Contributions to UIF, Medical and Pension Funds   | 89 599           | 82 196           |
|   | <b>1 478 367</b> | <b>1 346 113</b> |
| <b>Executive Manager Economic Services( M Msezana) Appointed 01st October 2014</b>        |                  |                  |
| Annual Remuneration   | 1 004 247        | -                |
| Contributions to UIF, Medical and Pension Funds   | 1 400            | -                |
|   | <b>1 005 647</b> | <b>-</b>         |
| <b>Executive Manager Economic Services(MM Thelejane) Contract expired 30th April 2014</b> |                  |                  |
| Annual Remuneration   | -                | 809 176          |
| Car Allowance   | -                | 100 000          |
| Performance Bonuses   | -                | 74 615           |
| Contributions to UIF, Medical and Pension Funds   | -                | 158 254          |
| Leave Resignation   | -                | 123 296          |
| Acting allowance  | -                | 8 033            |
|   | <b>-</b>         | <b>1 273 374</b> |
| <b>Executive Manager Political Office (LR Seoposengwe)</b>                                |                  |                  |
| Annual Remuneration   | 1 096 147        | 1 001 061        |
| Car Allowance   | 120 000          | 120 000          |
| Contributions to UIF, Medical and Pension Funds   | 124 715          | 113 761          |
|   | <b>1 340 862</b> | <b>1 234 822</b> |
| <b>Executive Manager Social Services (S Mathebula)</b>                                    |                  |                  |
| Annual Remuneration   | 1 108 711        | 1 007 541        |
| Car Allowance   | 187 500          | 187 500          |
| Performance Bonuses   | 137 505          | 106 593          |
| Contributions to UIF, Medical and Pension Funds   | 41 448           | 37 080           |
| Acting Allowance  | -                | 14 606           |
|   | <b>1 475 164</b> | <b>1 353 320</b> |

# Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

| Figures in Rand                                 | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>33. Remuneration of councillors</b>          |                   |                   |
| <b>Part time Councillors</b>                    |                   |                   |
| Annual Remuneration                             | 8 850 085         | 8 338 899         |
| Car Allowance                                   | 3 456 140         | 3 334 339         |
| Cellphone Allowance                             | 1 114 775         | 1 123 886         |
| Contributions to UIF, Medical and Pension Funds | 1 818 830         | 1 799 081         |
| Data Card Allowance                             | 192 313           | 193 691           |
|   | <b>15 432 143</b> | <b>14 789 896</b> |
| <b>Executive Mayor(KC Seerane)</b>              |                   |                   |
| Annual Remuneration                             | 721 814           | 520 581           |
| Car Allowance                                   | 51 524            | 206 097           |
| Cellphone Allowance                             | 20 868            | 20 868            |
| Contributions to UIF, Medical and Pension Funds | 108 490           | 103 184           |
| Data Card Allowance                             | 3 600             | 3 600             |
|   | <b>906 296</b>    | <b>854 330</b>    |
| <b>Speaker(SM Thupane)</b>                      |                   |                   |
| Annual Remuneration                             | 440 896           | 415 089           |
| Car Allowance                                   | 174 770           | 164 872           |
| Cellphone Allowance                             | 20 868            | 20 868            |
| Contributions to UIF, Medical and Pension Funds | 89 815            | 85 588            |
| Data Card Allowance                             | 3 600             | 3 600             |
|   | <b>729 949</b>    | <b>690 017</b>    |
| <b>Chief Whip(SI Dube)</b>                      |                   |                   |
| Annual Remuneration                             | 412 400           | 388 206           |
| Car Allowance                                   | 163 767           | 154 573           |
| Cellphone Allowance                             | 20 868            | 20 868            |
| Contributions to UIF, Medical and Pension Funds | 85 147            | 81 183            |
| Data Card Allowance                             | 3 600             | 3 600             |
|   | <b>685 782</b>    | <b>648 430</b>    |
| <b>Section 79 Chair Person(MA Mdzeke)</b>       |                   |                   |
| Annual Remuneration                             | 518 809           | 501 324           |
| Car Allowance                                   | 12 744            | -                 |
| Cellphone Allowance                             | 20 868            | 20 868            |
| Contributions to UIF, Medical and Pension Funds | 85 703            | 81 006            |
| Data Card Allowance                             | 3 600             | 3 600             |
|   | <b>641 724</b>    | <b>606 798</b>    |

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## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2015           | 2014           |
|--|----------------|----------------|
| <b>33. Remuneration of councillors (continued)</b> |                |                |
| <b>Mayoral Committee(M Khuzwayo)</b>               |                |                |
| Annual Remuneration                                | 412 400        | 388 206        |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 85 147         | 81 184         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 782</b> | <b>648 431</b> |
| <b>Mayoral Committee(NE Mdlulwa)</b>               |                |                |
| Annual Remuneration                                | 412 400        | 388 206        |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 85 147         | 81 184         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 782</b> | <b>648 431</b> |
| <b>Mayoral Committee(FO Bhayat)</b>                |                |                |
| Annual Remuneration                                | 552 550        | 403 233        |
| Car Allowance                                      | 38 643         | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 70 272         | 66 308         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 933</b> | <b>648 582</b> |
| <b>Mayoral Committee(BH Friedman)</b>              |                |                |
| Annual Remuneration                                | 427 426        | 403 233        |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 70 272         | 66 308         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 933</b> | <b>648 582</b> |
| <b>Mayoral Committee(SD Letsie)</b>                |                |                |
| Annual Remuneration                                | 412 400        | 388 206        |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 85 147         | 81 184         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 782</b> | <b>648 431</b> |
| <b>Mayoral Committee(NC Mangole)</b>               |                |                |
| Annual Remuneration                                | 427 426        | 403 233        |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 70 272         | 66 308         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 933</b> | <b>648 582</b> |
| <b>Mayoral Committee(MA Mathibe)</b>               |                |                |
| Annual Remuneration                                | 427 426        | 403 233        |

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## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2015           | 2014           |
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| <b>33. Remuneration of councillors (continued)</b> |                |                |
| Car Allowance                                      | 163 767        | 154 573        |
| Cellphone Allowance                                | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds    | 70 272         | 66 308         |
| Data Card Allowance                                | 3 600          | 3 600          |
|  | <b>685 933</b> | <b>648 582</b> |

### Mayoral Committee(AK Setswalo-Moja)

|   |                |                |
|---|----------------|----------------|
| Annual Remuneration                             | 412 400        | 388 206        |
| Car Allowance                                   | 163 767        | 154 573        |
| Cellphone Allowance                             | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds | 85 147         | 81 184         |
| Data Card Allowance                             | 3 600          | 3 600          |
|   | <b>685 782</b> | <b>648 431</b> |

### Mayoral Committee(ME Mathe)

|   |                |                |
|---|----------------|----------------|
| Annual Remuneration                             | 412 400        | 388 206        |
| Car Allowance                                   | 163 767        | 154 572        |
| Cellphone Allowance                             | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds | 85 147         | 81 185         |
| Data Card Allowance                             | 3 600          | 3 600          |
|   | <b>685 782</b> | <b>648 431</b> |

### Mayoral Committee(N Kufa)

|   |                |                |
|---|----------------|----------------|
| Annual Remuneration                             | 412 400        | 388 206        |
| Car Allowance                                   | 163 767        | 154 573        |
| Cellphone Allowance                             | 20 868         | 20 868         |
| Contributions to UIF, Medical and Pension Funds | 85 147         | 81 185         |
| Data Card Allowance                             | 3 600          | 3 600          |
|   | <b>685 782</b> | <b>648 432</b> |

Total Councillors Remunerations 2015: R 25 254 320, ( 2014 R24 074 379)

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council .

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost and he is using the mayoral residence. The Executive Mayor and the Speaker has use of a Council owned vehicles for official duties.

The Executive Mayor has four full-time bodyguards.

### 34. Depreciation and amortisation

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Intangible assets             | 968 041            | 399 726            |
| Property, plant and equipment | 228 497 239        | 268 768 836        |
|                               | <b>229 465 280</b> | <b>269 168 562</b> |

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## Notes to the Annual Financial Statements

| Figures in Rand  | 2015               | 2014               |
|--|--------------------|--------------------|
| <b>35. Impairment of assets</b>  |                    |                    |
| <b>Impairments Loss</b>  |                    |                    |
| Property, plant and equipment  | (84 040)           | (387 175)          |
| <br>   |                    |                    |
| <b>Reversal of impairments</b>   |                    |                    |
| Property, plant and equipment  | -                  | 71 025             |
|  | -                  | -                  |
|  | 84 040             | 316 150            |
| <hr/>  |                    |                    |
| <b>36. Finance costs</b>   |                    |                    |
| Bank   | 43 109 777         | 38 049 291         |
| <hr/>  |                    |                    |
| <b>37. Debt impairment</b>   |                    |                    |
| Contributions to debt impairment provision   | 221 886 172        | 221 290 165        |
| <hr/>  |                    |                    |
| The contribution to debt impairment comprises of consumer debtors, sundry debtors and traffic impairment |                    |                    |
| <br>   |                    |                    |
| <b>38. Repairs and maintenance</b>   |                    |                    |
| Repairs and maintenance  | 66 355 399         | 69 372 350         |
| <hr/>  |                    |                    |
| <b>39. Bulk purchases</b>  |                    |                    |
| Electricity  | 508 841 410        | 477 858 235        |
| Water  | 188 340 188        | 177 169 761        |
| Sewer purification   | 2 953 183          | 2 927 335          |
|  | <b>700 134 781</b> | <b>657 955 331</b> |
| <hr/>  |                    |                    |

# Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 39. Bulk purchases (continued)

#### 2015

##### Electricity Losses

During the year under consideration MCLM had unaccounted electricity of 7.72% 54,920,168.75 kwh (9.74 %: 2014, 70,909,827.88kwh ). The total rand value of these losses were R 29,423,925,44 (R 32,773,718 : 2014) .The inherent distribution losses of an electricity distribution system(technical losses)can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or does it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs.The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

Electricity distribution losses are calculated after taking the following into account:

- Transmission losses;
- Municipal consumption;
- Free basic electricity; and
- Theft.

Electric transmission represents losses that arise from the resistance when electricity is transmitted from Eskom to Mogale City Local Municipality and to the end user. This amount of electricity lost is dependent on the specific conductors, the current flowing, and the length of the transmission line. This loss is not under the control of Mogale City

#### 2015

##### Water Losses

During the year under consideration MCLM had unaccounted water of 27% (non-technical losses), 8,403,375.50 kl. The total rand value of these non-technical losses were R 50,106,814.60.This was mainly due to faulty prepaid meters, straight pipes in some areas and leakages.

The non-technical losses are losses that the municipality is in the process to reduce.

Intervention undertaken by Mogale City to reduce non-technical losses of 27%:

- 1 Replacement of the old water pipeline: - The contractors was appointed late in the financial year. Pipeline replacement phase 2 will be rolled out subject to the availability of funds.
- 2 Installation of prepaid water meters:- 17742 water meters installed to date
- 3 Telemetry Project: phase 1 completed, phase 2 will be implemented focusing on the water network (pipeline and meters).
- 4 Other problematic areas have been identified:-Automatic meter reading will be done on all zonal meters.

During the year under review the technical losses which the municipality do not have control over was 15%,4,695,583.95 kl amounting to R27,963,152.06.

#### 2014

##### Water Losses

During the year under consideration MCLM had unaccounted water of 29% (non-technical losses), 9,371,172 kl. The total rand value of these non-technical losses were R 51,178,793.This was mainly due to faulty prepaid meters, straight pipes in some areas and leakages.

The non-technical losses are losses that the municipality is in the process to reduce.

Intervention undertaken by Mogale City to reduce non-technical losses of 29%:

- 1.Replacement of old pipelines(limited number in comparison to the extent of ageing infrastructure)-tenders advertised already,
- 2.Resealing of Magaliesburg Reservoir to be done in the current financial year
- 3.Installation of prepaid water meters-projected started in Kagiso-Since inception R800,000 has been recorded in sales with approximately 440,000kl accounted for in consumption.
- 4.Telemetry project is current being implemented which assist in remote monitoring of reservoirs and pump stations and reduce water spillages
- 5.Other problematic areas have been identified-replacement of such infrastructure will take place on an annual basis due to limited funds.



# Mogale City Local Municipality

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## Notes to the Annual Financial Statements

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### 39. Bulk purchases (continued)

During the year under review the technical losses which the municipality do not have control over was 15%,4,785,120 kl amounting to R26,361,109.

### 40. Contracted services

|   |                    |                    |
|---|--------------------|--------------------|
| Information Technology Services   | 6 022 618          | 7 171 252          |
| Fleet Services  | 27 905 854         | 21 051 190         |
| Rental and communication services   | 23 020 912         | 26 411 982         |
| Specialist Services   | 5 135 627          | 3 681 037          |
| Other Contractors (Security services,lease office equipment,rental water tanks and rental chemical toilet,refuse removal Tedcor and system support) | 133 799 651        | 117 495 779        |
|   | <b>195 884 662</b> | <b>175 811 240</b> |

### 41. Grants and subsidies paid

#### Other subsidies

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Other grants         | 2 619 665         | 2 546 298         |
| Basic services       | 38 202 857        | 21 072 372        |
| Grants in aid        | 1 745 435         | 1 475 482         |
| Grants discretionary | 528 631           | 367 477           |
|                      | <b>43 096 588</b> | <b>25 461 629</b> |
| Other subsidies      | -                 | -                 |
|                      | <b>43 096 588</b> | <b>25 461 629</b> |

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## Notes to the Annual Financial Statements

| Figures in Rand                       | 2015               | 2014               |
|---------------------------------------|--------------------|--------------------|
| <b>42. General expenses</b>           |                    |                    |
| Advertising                           | 1 368 068          | 842 459            |
| Assessment rates & municipal charges  | 29 093 901         | 30 567 328         |
| Audit committee remuneration          | 288 910            | 215 530            |
| Bank charges                          | 2 123 125          | 3 130 294          |
| Internet fees                         | 169 350            | 73 225             |
| Settlement and legal fees             | 23 680 785         | 12 549 786         |
| Consumables                           | 766 644            | 788 193            |
| Entertainment                         | 9 800              | 7 500              |
| Gifts                                 | 4 172              | 9 554              |
| Insurance                             | 2 453 762          | 2 929 443          |
| Bursary scheme/External               | 2 216 079          | 1 702 010          |
| Conferences and seminars              | 541 422            | 335 229            |
| Transport Rental                      | 6 840              | 51 270             |
| Stores & Material                     | 3 710 604          | 2 160 284          |
| Magazines, books and periodicals      | 155 401            | 145 649            |
| Medical examination/X-rays            | 2 263              | 860                |
| Fuel and oil                          | 10 359 719         | 13 540 546         |
| Postage and courier                   | 5 173 466          | 4 537 933          |
| Printing and stationery               | 2 019 089          | 1 857 636          |
| Safety equipments/Protective clothing | 795 828            | 623 461            |
| Special Projects                      | 10 679 769         | 11 851 610         |
| License fees                          | 2 331 333          | 2 727 033          |
| COIDA                                 | 3 258 552          | 4 519 306          |
| Refreshments general & meetings       | 1 030 096          | 645 145            |
| Subscriptions and membership fees     | 6 148 687          | 4 741 599          |
| Telephone and faxes                   | 11 593 951         | 9 844 726          |
| Training                              | 4 094 715          | 2 074 505          |
| Travel - local                        | 981 053            | 1 098 416          |
| Travel - overseas                     | 38 228             | 516 363            |
| Purchases for consumption             | 5 662 615          | 4 151 844          |
| Skills levy                           | 4 429 140          | 4 015 581          |
| Public Participation                  | 1 569 349          | 829 621            |
| Current services costs                | 10 933 541         | 9 816 920          |
| Actuarial gains and losses            | 12 015 140         | 6 450 524          |
| Relocation costs                      | 4 280              | 732 106            |
| Management fee:Game reserve           | 438 597            | 1 331 140          |
| Other expenses                        | 42 379 934         | 24 078 430         |
|                                       | <b>202 528 208</b> | <b>165 493 059</b> |

### Other Expenses

| Item                                       | Amount( R ) |
|--|-------------|
| Social responsibility                      |             |
| Landfill site                              | 1 526 658   |
| Purchase of distribution of 240 litre bins | 1 468 519   |
| Stipend                                    | 1 199 800   |
| Incubator program                          | 3 700 000   |
| Marketing                                  | 1 133 169   |
| Electricity: Street lighting               | 1 063 175   |

The remaining balance for other expenses includes small items

### 43. Assets written off

|                    |           |            |
|--------------------|-----------|------------|
| Assets written off | 9 847 661 | 10 785 371 |
|--------------------|-----------|------------|

# Mogale City Local Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand                                     |                        |                             | 2015              | 2014             |                        |
|---|------------------------|-----------------------------|-------------------|------------------|------------------------|
| <b>44. Prior year adjustments</b>                   |                        |                             |                   |                  |                        |
| 2014  | As previously reported | Change in accounting policy | Corrections       | Reclassification | Restated               |
| Statement of Financial Performance                  |                        |                             |                   |                  |                        |
| Revenue from exchange transactions                  |                        |                             |                   |                  |                        |
| Service charges                                     | 1,122,808,922          | -                           | -                 | -                | 1,122,808,921          |
| Rentals of facilities and equipment                 | 2,969,096              | -                           | -                 | -                | 2,969,096              |
| Interest received- Outstanding Debtors              | 14,517,937             | -                           | -                 | -                | 14,517,937             |
| Income from agency services                         | 21,407,918             | -                           | -                 | -                | 21,407,917             |
| Licences and permits                                | 28,140                 | -                           | -                 | -                | 28,140                 |
| Interest received - investment                      | 12,624,109             | -                           | -                 | -                | 12,624,109             |
| Dividends received                                  | 34,455                 | -                           | -                 | -                | 34,455                 |
| Other receivables Income                            | 84,478,606             | -                           | -                 | 1,615,612        | 86,094,218             |
| <b>Total Revenue from exchange transactions</b>     | <b>1,258,869,183</b>   | <b>-</b>                    | <b>-</b>          | <b>1,615,612</b> | <b>- 1,260,484,793</b> |
| Revenue from non-exchange transactions              |                        |                             |                   |                  |                        |
| Property rates                                      | 308,722,620            |                             |                   |                  | 308,722,620            |
| Penalties imposed                                   | 32,025,759             |                             |                   |                  | 32,025,759             |
| Government grants and subsidies                     | 342,031,900            |                             |                   | 1,407,171        | 340,624,729            |
| Fines, penalties and forfeits                       | 170,003,359            |                             |                   |                  | 170,003,359            |
| <b>Total reveune from non-exchange transactions</b> | <b>852,783,638</b>     |                             |                   | <b>1,407,171</b> | <b>853,365,290</b>     |
| <b>Total reveune</b>                                | <b>2,111,652,821</b>   |                             |                   | <b>208,439</b>   | <b>2,111,861,260</b>   |
| Expenditure:  |                        |                             |                   |                  |                        |
| Employee related costs                              | 485,486,327            |                             | 39,790            |                  | 485,526,117            |
| Remuneration of councillors                         | 24,074,379             |                             |                   |                  | 24,074,379             |
| Depreciation and amortisation                       | 268,254,626            |                             | 1,913,936         |                  | 269,168,562            |
| Impairment loss/Reversal of impairment              | 316,151                |                             |                   |                  | 316,151                |
| Finance costs                                       | 55,300,492             |                             |                   | -17,251,201      | 38,049,291             |
| Debt impairment                                     | 221,318,129            |                             | -27,964           |                  | 221,290,165            |
| Collection costs                                    | 34,042,829             |                             |                   |                  | 34,042,829             |
| Repairs and maintenance                             | 69,372,351             |                             |                   |                  | 69,372,350             |
| Bulk purchases                                      | 657,955,331            |                             |                   |                  | 657,955,331            |
| Contracteed services                                | 175,811,239            |                             |                   |                  | 175,811,241            |
| Grants and subsidies paid                           | 25,461,629             |                             |                   |                  | 25,461,629             |
| General expenses                                    | 148,241,878            |                             |                   | 17,251,201       | 148,241,863            |
| Assets written off                                  | 10,680,447             |                             | 104,925           |                  | 10,785,372             |
| <b>Total expenditure</b>                            | <b>2,175,315,808</b>   |                             | <b>2,030,673</b>  |                  | <b>2,177,346,481</b>   |
| <b>Operating deficit</b>                            | <b>-63,662,987</b>     |                             | <b>-2,030,673</b> | <b>208 439</b>   | <b>65,485,221</b>      |
| Deficit for the year                                | -63,662,987            |                             | -2,030,,673       | 208 439          | 65,485,221             |
| Statement of Financial Position                     |                        |                             |                   |                  |                        |
| ASSETS  |                        |                             |                   |                  |                        |
| Current Assets                                      |                        |                             |                   |                  |                        |
| Inventories   | 14,057,661             |                             |                   |                  | 14,057,661             |
| Receivables from non - exchange transactions        | 55,136,491             |                             | 6,833             |                  | 55,143,324             |
| Consumer debtors                                    | 360,807,011            |                             | 27,855            |                  | 360,834,866            |
| Cash and cash equivalents                           | 96,704,604             |                             |                   |                  | 96,704,604             |
| Operating lease asset                               | 296,263                |                             |                   |                  | 296,263                |
|   | 527,002,030            |                             | 34,688            |                  | 527,036,718            |
| Non-current assets                                  |                        |                             |                   |                  |                        |
| Investment property                                 | 502,511,800            |                             | 4,855,838         |                  | 507,367,638            |
| Property, plant and equipment                       | 5,229,164,415          |                             | -8,539,551        |                  | 5,220,624,864          |
| Intangible assets                                   | 4,860,463              |                             |                   |                  | 4,860,464              |
| Heritage assets                                     | 619,685                |                             | 932,465           |                  | 1,552,150              |

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| Figures in Rand                               | 2015                 | 2014                  |
|---|----------------------|-----------------------|
| <b>44. Prior year adjustments (continued)</b> |                      |                       |
| Financial assets                              | 53,934,765           | 53,934,765            |
| <b>Total Non-Current Assets</b>               | 5,791,091,128        | 5,788,339,889         |
| <b>Total Assets</b>                           | 6,318,093,158        | 6,315,376,607         |
| <b>LIABILITIES</b>                            |                      |                       |
| Current liabilities                           |                      |                       |
| Employee benefit obligation                   | 19,628,430           | 19,628,430            |
| Finance lease obligation                      | 2,643,739            | 2,643,739             |
| Unspent conditional grants and receipts       | 8,183,204            | 8,183,204             |
| Provisions                                    | 12,013,199           | 12,013,199            |
| Payables from exchange transactions           | 441,097,299          | 441,144,635           |
| Financial liabilities                         | 23,154,351           | 23,154,351            |
| Sundry deposits                               | 9,968,309            | 9,968,309             |
| VAT payable                                   | 70,446,060           | 70,446,060            |
| Consumer deposits                             | 45,609,474           | 45,609,474            |
|   | <b>632,744,065</b>   | <b>634,048,870</b>    |
| Non-current liabilities                       |                      |                       |
| Employee benefit obligation                   | 177,607,089          | 177,607,089           |
| Finance lease obligation                      | 969,241              | 969,241               |
| Provisions                                    | 14,894,227           | 14,894,227            |
| Financial liabilities                         | 320,848,444          | 320,848,444           |
| <b>Total Non Current Liabilities</b>          | <b>514,319,001</b>   | <b>514,319,001</b>    |
| <b>TOTAL LIABILITIES</b>                      | <b>1,147,063,066</b> | <b>1,148,367,871</b>  |
| <b>NET ASSETS</b>                             | <b>5,171,030,092</b> | <b>-5,167,008,736</b> |
| <b>NET ASSETS</b>                             |                      |                       |
| Social Responsibility Fund                    | 8,880,072            | 7,210,624             |
| Accumulated surplus                           | 5,162,150,020        | 5,159,798,112         |
| <b>Total Net Assets</b>                       | <b>5,171,030,092</b> | <b>5,167,008,736</b>  |

### Prior year adjustments

#### Corrections/Reclassification/Change in accounting policy

1. Reclassification of operating grants other receivables income: R1 615 612
2. Reclassification of grants and subsidies R1 407 171
3. Re instatement of leave accrual: R39 790
4. Corrections of depreciation on different assets: R1 913 936
5. Re-instatement of debt impairment: (R27 964)
6. Fair value adjustment of transferred properties corrections: R104 925
7. Investment property incorrectly classified, fair value adjustment: R4 855 838
8. PPE prior year derecognition, library books, animals: (R8 539 551)
9. Heritage assets derecognition: R932 465
10. Re-instatement of rollover not approved: (R1 988 822)
11. Finance cost R17 251 201 reclassifications
12. vat payable R1 257 461 correction

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| <b>45. Cash generated from operations</b>        |                    |                    |
| Deficit  | (17 701 058)       | (65 485 923)       |
| <b>Adjustments for:</b>                          |                    |                    |
| Depreciation and amortisation                    | 229 558 686        | 269 168 562        |
| Fair value gain on assets                        | (18 982 794)       | (23 644 383)       |
| Loss on disposal of assets                       | 9 847 661          | 10 785 372         |
| Employee benefits                                | 30 965 560         | 20 779 548         |
| Public donation                                  | (39 589 011)       | (27 330 035)       |
| Impairment reversals                             | 84 041             | 316 150            |
| Debt impairment                                  | 221 886 172        | 221 290 165        |
| Movements in provisions                          | 3 598 168          | 3 622 340          |
| Other non-cash items                             | (7 361 131)        | 4 178 527          |
| <b>Changes in working capital:</b>               |                    |                    |
| Inventories                                      | (1 101 736)        | (2 894 415)        |
| sundry deposits                                  | (622 276)          | (689 462)          |
| Other receivables from non-exchange transactions | (116 808 133)      | (96 385 580)       |
| Consumer debtors                                 | (139 583 319)      | (103 783 261)      |
| Payables from exchange transactions              | 86 258 748         | 47 059 721         |
| VAT  | (10 567 778)       | (871 861)          |
| Unspent conditional grants and receipts          | 15 639 363         | 199 185            |
| Consumer deposits                                | 4 932 299          | 6 151 024          |
| operating lease liability                        | -                  | 148 197            |
|  | <b>250 453 462</b> | <b>262 613 871</b> |

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### 46. Budget differences

#### Material differences between budget and actual amounts

The differences between the approved budget and final budget is as the result of reallocation within the budget as per virement policy

Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

#### Revenue

1. Interest received – outstanding debtors – this is partly due to the fact that the indigent amounting to R 95,4 million in the (2014/15) as compared to R 84,4 million (2013/14) was written off. this amount included interest accrued on overdue accounts.
2. Income from agency services – this is income received as a percentage of the total income collected on behalf of the Provincial Department of Transport for license fees, the reason for the more than expected collection is that Mogale City has been identified as one of the most effective and efficient in relation to service to residents, as a result the municipality experiences an influx of licence holders coming for license renewal in the area. Mogale City license centre is the only centre in Gauteng that opens on Saturday.
3. Other income – this item is made up of array of line items which were forecast to realise a 6% increase in revenue, most of the items missed the forecast and the aggregate resulted into a gross underperformance. The biggest contributors were service connections and donation from SANEDI, the latter which was budgeted at R 10 million received only R 1, 5 million with the balance to be realised in the 2015/16 financial year.
4. Interest received on investments – this came as a result of the loan amount invested, as projects funded by the loan were slow moving, funds had to be invested in the meantime to earn interest.
5. Property rates – the increase in the rates levied and the revaluation of properties across the municipality let to this more than expected revenue.
6. Properties rates - penalties imposed – this is revenue related to reconnection fees, this are primarily penalties for disconnections, it is not always accurate to budget for this revenue items, the municipality does not intend to disconnect residents therefore cannot actually budget for this revenue stream.
7. Fines – the R 134, 5 million is inclusive of the amount of tickets issued, R 24, 5 million of those paid and the R 13, 5 million of tickets written off. The probability of collection thereof based on the average collection for the past three years is 21%.

#### Expenditure

1. Remuneration of Councillors – the percentage increase forecast for this item was higher than was actually awarded as an increase to Councillors in terms of the Public Office Bearers Act, therefore a saving is realised on this item although the amount was not far off the mark.
2. Finance Costs – this is interest expenditure on loans taken by the municipality to finance capital projects, during the 2014/15 Mogale City embarked on a new loan to finance expenditure on the capital budget, this projects were aimed primarily at replacing and upgrading aging infrastructure, this led to additional expenditure incurred on this line item.
3. Debt impairment – the over expenditure is primarily due to the valuation of traffic fines impairment, which requires that the computation thereof includes those fines recognised during the past three years, this is in accordance with the requirements of iGrap 1.
4. Repairs and maintenance – as the municipality embarked on a programme to replace and upgrade aging infrastructure, costs related to the maintenance therefore general decreases. In addition to the costs to repair and maintain aging infrastructure are the costs to maintain fleet and buildings, this cost items have decreased. A large portion of the municipality's fleet is on operational lease, the lease agreement is inclusive of the maintenance plan, therefore the burden

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### 46. Budget differences (continued)

to maintain the fleet is lessened.

5. Contracted Services – the total reflect the total contracted services that the municipality has currently, the total expenditure is less than was anticipated and this is primarily due to the awarding and delivery of leased vehicles, the tender was awarded in the fourth quarter of the year after having been re - advertised. The municipality is currently waiting for the delivery of fleet items, this resulted in delayed expenditure on this budget item.

6. Grants and subsidies paid – this item is made up of various kinds of grants but prominent amongst them is the indigent subsidies. The over expenditure emanates primarily on indigent subsidies line items as more than expected households registered for indigence. The municipality is undertaking an extensive campaign to ensure that those who qualify as indigents are identified and registered as such. The amount subsidised annual fluctuate and the budget is based on historical figures, this is adjusted on a year to year basis reflecting what was recorded the previous financial year.

7. General expenses – this item is made up of number of line items used generally for the day to day running of the municipality, in line with the National Treasury appeal to all organs of state to curb unnecessary expenditure, the municipality has put in place policies and measures to ensure that expenditure on this items are kept to the lowest possible level.

### 47. Commitments

#### Authorised capital expenditure

##### Already contracted for

|                  |                   |                  |
|------------------|-------------------|------------------|
| • Infrastructure | 55 599 215        | 646 763          |
| • Community      | 460 989           | 2 059 301        |
| • Other          | -                 | 360              |
|                  | <b>56 060 204</b> | <b>2 706 424</b> |

This committed expenditure relates to assets and will be financed by available bank facilities

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| - within one year                   | 4 915 532        | 4 854 518        |
| - in second to fifth year inclusive | 1 765 130        | 1 326 562        |
|                                     | <b>6 680 662</b> | <b>6 181 080</b> |

Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles, cellphones and 3G cards and photocopy machine. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or prime lending rate. No restrictions have been imposed on the municipality in terms of the operating lease agreements. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| - within one year                   | 763 697          | 730 422          |
| - in second to fifth year inclusive | 2 219 748        | 983 581          |
| - later than five years             | 1 867 105        | 262 632          |
|                                     | <b>4 850 550</b> | <b>1 976 635</b> |

Certain of the municipality's property is held to generate rental income. Lease agreements have terms from 6 to 25 years. the rental escalates at 10% on average. There are no contingent rents receivable.

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### 48. Contingencies

#### Outstanding Legal Matters

##### Category A

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Mathe Construction</b>   | 5,500,000         | 5,500,000         |
| The applicants were contracted by the municipality to construct low costing houses. The agreement was cancelled by the Municipality after the withdrawal of funding by the Provincial Housing Department. The applicant is suing the Municipality for damages suffered as a result of the cancellation of the contract. |                   |                   |
| <b>Letratek (Pty) Ltd</b>   | ---               | 5,000,000         |
| Alleges serious flaws with the awarding of tender and that it should have been awarded to him   |                   |                   |
| <b>Aloecap (PTY) LTD</b>  | 2,500,000         | ---               |
| The Service Provider is suing the Municipality for breach of contract in that the contract was cancelled without proper notice  |                   |                   |
| <b>V. Venter</b>  | 22,000            | 22,000            |
| Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages  |                   |                   |
| <b>Chabano Trading Consultant</b>   | 1,167,770         | 1,167,770         |
| The Plaintiff alleges that Municipality has unlawfully terminated the contract.   |                   |                   |
| <b>Thembi Sheila Hlwatswayo</b>   | ---               | 800,000           |
| Loss of income as result of husband's death caused by tree that fell on her husband's motor vehicle   |                   |                   |
| <b>Francois Jacobs Van Staden</b>   | 38,423            | 38,423            |
| The plaintiff instituted a claim against the Municipality as a result of damages he suffered after falling into a pot hole with his motor cycle. 100% as the responsibility for the upkeep of the road lies with the MEC<br>The case was resolved during the year under review.   |                   |                   |
| <b>M.E Maluleke</b>   | ---               | 56,045            |
| The plaintiff instituted a claim for injuries against the Municipality as she fell into a storm Water hole  |                   |                   |
| <b>Khalipha Entertainment</b>   | 1,799,490         | 1,799,490         |
| MCLM sued service provider for failing to give proper account of the jazz and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.  |                   |                   |
| <b>Subtotal</b>   | <b>11,027,683</b> | <b>14,383,728</b> |
| <b>Category B</b>   |                   |                   |
| <b>Labour matters</b>   |                   |                   |
| <b>Deputy Directors</b>   | 1,480,000         | 1,850,000         |
| 1) S.Makgatla<br>2) L. Tshoane<br>3) N. Mabunda<br>4) A. Maswanganyi<br>5) T Mathye<br>6) J Nkhumane<br>The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent. the reason for decrease is because S.Makgatla withdrew the case.          |                   |                   |
| <b>S. Kuane</b>   | --                | 74,000            |
| Unfair labour practise based on placement matter at labour Court  |                   |                   |
| <b>Murray &amp; Ors</b>   | 3,000,000         | 3,000,000         |
| The employee alleges that they did not receive notches 168 Employees<br>Matter is still pending settlement negotiations underway and provision of additional information from finance and IMATU   |                   |                   |



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### 48. Contingencies (continued)

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Colbert Mphaphudi</b>   | 328,200           | 328,200           |
| Unfair Labour practise   |                   |                   |
| <b>Madelein van Rooyen</b>   | 107,069           | 107,069           |
| The Plaintiff alleges that the municipality was partly negligent in not ensuring that the Bungee jumping is safe |                   |                   |
| <b>Victor Tafu</b>   | 480,753           | 480,753           |
| The employee alleges he was unfairly dismissed   |                   |                   |
| <b>Subtotal</b>  | <b>5,396,022</b>  | <b>5,840,022</b>  |
| <b>Total</b>   | <b>16,423,705</b> | <b>20,223,750</b> |

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### 48. Contingencies (continued)

#### Contingent assets

##### 2015

##### **Khalipha Entertainment**

MCLM sued service provider an amount of R2,000,000 for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.

##### 2014

##### **I Van Wyk**

The Municipality is suing the Defendant for outstanding rates and taxes amounting to R45000.

##### **Khaba B**

The municipality is suing for damages amounting R42,000 as a result of alleged fraud by the defendant.

##### **Willturnerkey Construction**

The Municipality erroneously overpaid an amount of R317,000 to Willturner Key Construction.

##### **Naledi Plant Hire**

The Municipality filed a counter claim of R813,247 overpayment to Naledi Plant Hire.

##### **Khalipha Entertainment**

MCLM sued service provider an amount of R1,1800,000 for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.

##### **African Bush Adventures**

The municipality cancelled the contract in a process of recovering the outstanding rates and taxes payments amounting R1,700,000.

##### **Game Reserve Lodge**

The municipality is suing for outstanding rental payments amounting to R180,000 of the leased premises.

### 49. Related parties

#### Relationships

Accounting Officer  
Members of key management

Mr D.M Mashitisho  
Mr L.M.E Mahuma  
Mr D.C Ngutshana  
Ms S. Mathebula  
Mrs R. Mokebe  
Mr B. Seopasengwe  
Ms M. Mokoena  
Mr M. Msezana  
Mr D. Mokotedi  
Mr A. Mbulawa

Transactions relating to key management personnel are disclosed in note 32 & 33 and have been accounted for according to IPSAS 20

### 50. Irregular expenditure

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| <b>50. Irregular expenditure (continued)</b> |          |          |
| Opening balance                              | -        | -        |
| Less: Expenditure regularised by Council     | -        | -        |
| <b>Closing balance</b>                       | <b>-</b> | <b>-</b> |

### 2015

#### Irregular Expenditure

There is no irregular expenditure during the year under review.

#### Unauthorized Expenditure

There is no unauthorized expenditure during the year under review

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

|                                 |             |          |
|---------------------------------|-------------|----------|
| Current year subscription / fee | 5 987 382   | 73 183   |
| Amount paid - current year      | (5 987 382) | (73 183) |
|                                 | -           | -        |

#### Audit fees

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 3 880 031   | 3 081 110   |
| Amount paid - current year      | (3 880 031) | (3 081 110) |
|                                 | -           | -           |

#### PAYE and UIF

|                                 |                  |                    |
|---------------------------------|------------------|--------------------|
| Opening balance                 | 5 367 661        | 5 348 022          |
| Current year subscription / fee | 78 747 808       | 70 467 094         |
| Amount paid - current year      | (72 198 436)     | (75 834 754)       |
| Amount paid - previous years    | (5 367 661)      | (5 348 023)        |
|                                 | <b>6 549 372</b> | <b>(5 367 661)</b> |

#### Pension and Medical Aid Deductions

|                                 |               |                  |
|---------------------------------|---------------|------------------|
| Opening balance                 | 9 408 895     | 36 400           |
| Current year subscription / fee | 133 864 605   | 121 635 841      |
| Amount paid - current year      | (143 273 500) | (112 263 346)    |
|                                 | -             | <b>9 408 895</b> |

#### Councillors' arrear consumer accounts

Councillors had no arrear accounts outstanding of more than 90 days at 30 June 2015:

### 52. Audit committee remuneration

|      |         |         |
|------|---------|---------|
| Fees | 288 910 | 215 530 |
|------|---------|---------|

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| <b>53. Fruitless and wasteful expenditure</b> |           |             |
| Fruitless expenditure -Current year           | 264 454   | 4 179 247   |
| Less expenditure condoned by council          | (264 454) | (4 179 247) |
|   | -         | -           |

### 2015

The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to Eskom and Rand water respectively. The lateness of payment derives from unfavourable payment terms set out in the contract with the Eskom. Eskom has levied an amount of R4 596 412.21 interest on late payments for the year under review. Mogale City was successful in obtaining a credit note of 4 336 076.08 from Eskom for interest levied on late payments on bulk electricity purchases from May 2014 to April 2015 thus leaving an amount of R260 336.13 for interest levied in May and June 2015. Rand Water has raised interest of R 4 117.73. The fruitless expenditure was condoned by council on the 31 August 2015 (Item K(ii)(08/2015)

### 2014

The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to Eskom and Rand water respectively. The lateness of payment derives from unfavourable payment terms set out in the contract with the Eskom. The fruitless and wasteful expenditure was condoned on the 25th September 2014 (Item K(ii) 1(9/2014).

### 54. Utilisation of Long-term liabilities reconciliation

|                              |             |             |
|------------------------------|-------------|-------------|
| Long-term liabilities raised | 552 824 229 | 344 002 795 |
|------------------------------|-------------|-------------|

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

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### 55. Deviation from supply chain management regulations 2015

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

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

COUNCIL ITEM NR K(ii) 3 (03/2014)

DESCRIPTION Emergency purchase of front rake screen for Magaliesburg Water Care Works

AWARDED TO S.A.M.E. Water

AMOUNT R 114 000

114 000

SECTION Section 36 (1)(a)(i): Emergency

COUNCIL ITEM NR K(ii) 3(10/2014)

DESCRIPTION Provision of tankered water to various affected areas in Krugersdorp, Kenmare, Ruimsig, Muldersdrift and Pinehaven on an emergency basis (I (R) 06/2012 Hire of Plant)

AWARDED TO Twin – M Plant Hire

AMOUNT R 466 175

466 175

SECTION Section 36 (1)(a)(i) - Emergency situation

COUNCIL ITEM NR K(ii) 3(10/2014)

DESCRIPTION Security Breach on BIQ financial system

AWARDED TO Comperio Forensic Services

AMOUNT R 592 389.51

592 390

SECTION Section 36 (1) (a) (i): Emergency

COUNCIL ITEM NR K (ii) 3(7/2015)

DESCRIPTION Purchase of traffic light controllers damaged during various accidents at main intersections in MCLM directly for the manufacturer of the damaged electro mechanical type traffic light controllers

AWARDED TO Automotor Traffic Signal Co (Pty) Ltd

AMOUNT R 182 675.88

182 676

SECTION Section 36 (1) (a) (i): Emergency

COUNCIL ITEM NR K (ii) 3(7/2015)

DESCRIPTION Tudor Shaft Resettlement and Relocation Programme at Kagiso Ext 13

AWARDED TO Vuka Ultrasonic JV (Vuka Africa / Ultrasonic Express / Masekwameng)

AMOUNT R 32 512 336.59

32 512 337

SECTION Section 36 (1) (a) (i): Emergency

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### 55. Deviation from supply chain management regulations 2015 (continued)

COUNCIL ITEM NR K(ii) 3(10/2014)

DESCRIPTION Extension of Software License Agreement for Cemetery Management System for a period of three years (1 September 2014 to 31 August 2017)

AWARDED TO Synapsis Smart Software

AMOUNT R 51 061.42 per annum for a period of three years 153 184

SECTION Section 36 (1)(a)(ii): Sole service provider

COUNCIL ITEM NR K(ii) 4(12/2014)

DESCRIPTION Appointment of IBM South Africa Ltd to provide STG Lab Services

AWARDED TO IBM South Africa Ltd

AMOUNT R 259 882.76 259 883

SECTION Section 36 (1)(a)(ii) – sole provider

COUNCIL ITEM NR K(ii) 2(01/2015)

DESCRIPTION Service of specialised analytical equipment installed at Percy Steward Wastewater Treatment Works – for a period of 12 months

AWARDED TO Endress + Hauser

AMOUNT R 443 964.13 443 694

SECTION Section 36 (1)(a)(ii) – Sole Service

COUNCIL ITEM NR K(ii) 2(01/2015)

DESCRIPTION Supply and Delivery of ADAudit Plus and ADManager Plus Software including a three (3) year license from ITR Technology (1 December 2014 to 30 November 2017)

AWARDED TO ITR Technology

AMOUNT R 236 776.18 236 776

SECTION Section 36 (1)(a)(ii) – Sole Provider

COUNCIL ITEM NR K(ii) 2(4/2015)

DESCRIPTION Training 15 unemployed matriculants as library assistants - Library Practice Skills Programme

AWARDED TO BEPE Developments in Education and Training (Pty) Ltd trading as BP Developments

AMOUNT Training of 15 interns at R 21 900 per intern and a stipend of R 600 per intern. Training of 15 interns at R 21 900 per intern and a stipend of R 600 per intern. Total cost R 436 500 to be claimed back from LGSETA 436 500

SECTION Section 36 (1)(a)(ii) – Sole Service Provider

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### 55. Deviation from supply chain management regulations 2015 (continued)

COUNCIL ITEM NR K(ii) 2(4/2015)

DESCRIPTION Approval of annual renewal of GIS enterprise licenses and integration of GIS data within MCLM

AWARDED TO ESRI South Africa

AMOUNT R 640 863

640 863

SECTION Section 36 (1)(a)(ii) – Sole Service Provider

COUNCIL ITEM NR K(ii) 3(10/2014)

DESCRIPTION Refurbishment of six submersible mixers are Percy Steward Water Care Works through “strip and quote”

AWARDED TO Electrical & Pump Centre

AMOUNT R 154 702.29

154 702

SECTION Section 36 (1) (a)(v): Impossible/impractical to follow official procurement process

COUNCIL ITEM NR K(ii) 3(10/2014)

DESCRIPTION Repair through “strip and quote” of SP 200 Compactor and Front Rake Sludge Screen at the Rietvallei Sewerage Pump Station – extension 1

AWARDED TO S.A.M.E Water

AMOUNT R 44 574.00

44 574

SECTION Section 36 (1) (a)(v): Impossible/impractical to follow official procurement process

COUNCIL ITEM NR K(ii) 4(12/2014)

DESCRIPTION Emergency Repair and Supply of Material for street and public lighting repairs (Section 32 approvals not received from other organs of state)

AWARDED TO Genlux Lighting , Industrial Poles and Masts Pty Ltd, Jupiter Electrical Wholesalers, Beka Lighting Pty Ltd

AMOUNT R 1880 337.66+R 76 522.50+R 354 781.68+R 1 472 097.96

3 783 770

SECTION Section 36 (1)(a)(v) – impractical to embark on a an official procurement process

COUNCIL ITEM NR K(ii) 4(12/2014)

DESCRIPTION Utilization of an Electrical Engineer appointed by the Joint Financing agreement for External Services for Heritage Manor – Munsieville South (1 August 2014 to 30 July 2017)

AWARDED TO Eksteen & Le Roux

AMOUNT Appointment for a max period of three years based on approved fees (% of total contract value) 1 346 428

SECTION Section 36 (1)(a)(v) – impractical to embark on a an official procurement process

COUNCIL ITEM NR K(ii) 2(01/2015)

DESCRIPTION General Valuation Roll Integration Project into BIQ

AWARDED TO Northwest Valuations

AMOUNT R 1 169 999.54

1 170 000

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

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### 55. Deviation from supply chain management regulations 2015 (continued)

COUNCIL ITEM NR K(ii) 2(01/2015)

DESCRIPTION Additional scope as required by Finance Department for implementation of IFMS -Revenue -SCM -Financials

AWARDED TO RSL Enterprise trading as Ramco

AMOUNT R 1 056 000 1 056 000

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 2(01/2015)

DESCRIPTION Additional cost that are associated with the finalization of the Integrated Financial Management Solution (IFMS): -Parallel run support -Payrol -Operational Business Analytics 11 055 556

AWARDED TO RSL Enterprise trading as RAMCO

AMOUNT R 11 055 556 11 055 556

SECTION Section 36 (1)(a)(v) – Impractical to follow normal SCM process

COUNCIL ITEM NR K (ii) 2(4/2015)

DESCRIPTION Extension of the current fleet tenders. I (F) 40/2010, I(F) 43/2010, I(F) 44/2010, I(F) 45/2010 (1 April 2015 to 30 June 2015 )

AWARDED TO Fleetmatics, Aqua transport, G-Fleet, Sula smart 8 700 000

AMOUNT R 2 900 000 P/M 8 700 000

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K (ii) 2(4/2015)

DESCRIPTION Leasing of Ellerines Building for Economic Services for a period of 12 months

AWARDED TO Azaad Aswat Investment cc

AMOUNT R225 984.86 per month 2 711 818

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (06/2015)

DESCRIPTION Assignment of SEDA Construction Incubator Contractors to MIG Rural Water and Sanitation Project (five contractors /20km pipeline each)

AWARDED TO Weziswe Development (Pty) Ltd Tsazamu Enterprise (Pty) Ltd Serontabole Construction and Maintenance Modikoe Modikoe Building Construction Gritty Trading and Projects cc

AMOUNT 5 x R 360 000 1 800 000

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (06/2015)

DESCRIPTION Installation and cabling network points 1st Floor Offices, President Building as part of Renovation Project

AWARDED TO Melcob Supplies

AMOUNT R 92 504.87 92 505

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process



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2015

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### 55. Deviation from supply chain management regulations 2015 (continued)

COUNCIL ITEM NR K (ii) 3(7/2015)

DESCRIPTION Due to unforeseen issues that come to light during the construction phase for the Krugersdorp West Swimming Pool the original tender value for tender SS (SR) 11/2014 is increased to address challenges linked to sealing, filtration and piping.

AWARDED TO Ultrasonic Express (Pty) Ltd

AMOUNT R 1 745 046.82 (increase in original tender value) 1 745 047

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K (ii) 3(8/2015)

DESCRIPTION General Valuation Roll Integration Project (phase 2) into BIQ system

AWARDED TO Northwest Valuations Services cc

AMOUNT R 931 620.44 931 620

SECTION Section 36 (1)(a)(v) – impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3(08/2015)

DESCRIPTION Emergency Repair and Supply of Material for street and public lighting repairs (Section 32 approvals not received from other organs of state)

AWARDED TO Genlux Ligthning , Industrial Poles and Masts Pty Ltd, Jupiter Electrical Wholesalers  
AMOUNT R 8 740 586.34+R 194 845.00+R 427 243.42 9 362 675

SECTION Section 36 (1)(a)(v) – impractical to embark on a an official procurement process

### 56. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 4.6% to 5%.

There are no externally imposed capital requirements.

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

#### Total borrowings

|                                 |    |                    |                    |
|---------------------------------|----|--------------------|--------------------|
| Finance lease obligation        | 14 | 11 559 295         | 3 612 980          |
| Other financial liabilities     | 19 | 552 824 229        | 344 002 795        |
|                                 |    | <b>564 383 524</b> | <b>347 615 775</b> |
| Less: Cash and cash equivalents | 5  | 165 853 425        | 96 704 604         |

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|--|----------------------|----------------------|
| <b>56. Risk management (continued)</b> |                      |                      |
| Net debt                               | 398 530 099          | 250 911 171          |
| Total equity                           | 5 152 589 060        | 5 161 374 948        |
| <b>Total capital</b>                   | <b>5 551 119 159</b> | <b>5 412 286 119</b> |

### Financial risk management

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

### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivable from non exchange transactions and consumer 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.

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

During the financial year management reviewed the useful life of its assets which resulted in change in accounting estimates. This change in accounting estimates resulted in a decrease in depreciation during the current financial year and future period.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

### 57. Borrowing cost

|                                   |                   |                  |
|-----------------------------------|-------------------|------------------|
| <b>Borrowing Cost Capitalized</b> | 2015              | 2014             |
| Opening Balance                   | 4 440 027         | 2 398 781        |
| Capitalized during the year       | 5 815 320         | 2 041 246        |
|                                   | <b>10 255 347</b> | <b>4 440 027</b> |

Mogale city borrowed funds for infrastructure assets for the year under review 2014/15 financial year and also in 2012/13 financial year. during 2014/15 mogalecity borrowed 239 500 000 million at a fixed interest rate of 9.875% and in 2012/13 190 994 208 million at a fixed rate of 9.21%.

