

Planning by	Reviewed	Performed by	Final review



Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements
for the year ended 30 June 2017

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business	Municipality
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations
Members of Council	
Executive Mayor	Cllr P.N. Lipudi
Speaker	Cllr N.C. Mangole
Chief Whip	Cllr S.I. Dube
Municipal Public Accounts Committee	Cllr A De Lange
Members of Mayoral Committee	MMC LED and Rural Development: Cllr P. Molapo MMC Finance: Cllr N. Sedumedi MMC Infrastructure Services: Cllr M. Khuzwayo MMC Roads and Transport: Cllr B. Mdlane MMC Corporate Support Services: Cllr P. Moeketsi MMC Intergrated Environmental Management: Cllr F. Chohledi MMC Health and Social Development: Cllr E. Cindi MMC Sports, Recreation, Arts, Culture and Heritage: Cllr C. Ntlatlane-Zwane MMC Community Safety: Cllr L. Resha MMC Human Settlement; A. Setswalo-Moja
Councillors	Cllr Mathapelo L. Agondo Cllr Bhayat Farouk Cllr Shabier A Dabhelia Cllr Doreen S David Cllr Molebatsi J Jim Cllr Gilbert K Gaselebelwe Cllr Velile Khumalo Cllr Mathibe P.J Madumo Cllr Isaac Mangole Cllr Pelesi J Makokwe Cllr Maphefo B Mdlane Cllr Lerato Modise Cllr Godfrey I Moilwanyane Cllr Rabatho J Mokotla Cllr Bernard V Molefe Cllr Azwindini G Mutele Cllr Mlungisi Ndamase Cllr Batsheba N Ngakane Cllr William Ngwako Cllr Tshepo I Nzwane Cllr Mavhungu O. Ramadi Cllr Molefi J.Selibo

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General Information

Cllr Susan Silaule
Cllr Meshack D. Sithole
Cllr Cynthia P. Zagagana
Cllr Eric Baloyi
Cllr John Koboekae
Cllr Smanga Mkhumbeni
Cllr Lemogang Modisane
Cllr Eddie Motsisi
Cllr Stone Mruquli
Cllr Nomonde Nkatu
Cllr Wonderful Segolodi
Cllr Nhlanhla Shulubani
Cllr Annette Fourie
Cllr Sharon Govinsamy
Cllr Tyrone Michael Gray
Cllr Jacobus J Holtzhausen
Cllr Michael Hostenstein
Cllr Jacques S.Hoon
Cllr Botshe A Kubayi
Cllr Johannes N Kotze
Cllr Christo Kotze
Cllr Ntombikayise T Lebe
Cllr Kagiso E Lekagane
Cllr Aletta van Loggerenberg
Cllr Edwina Mahne
Cllr Bredon May
Cllr Boy Mnguni
Cllr Jade Miller
Cllr Ernest Modise
Cllr Margaret Mohube
Cllr Themba Mokoena
Cllr Louis W Moleba
Cllr Maria Christina G Naude
Cllr Jaqueline L. Pannall
Cllr Lynnette C. Pannall
Cllr Pheasant Claire O Reid
Cllr Zillah Wehinger- Maguire
Cllr Chris J van der Westhuizen
Cllr Lynette W Zwankhuizen
Cllr Tjaart Steenkamp
Cllr Bongani E Nkosi

Grading of local authority

High Capacity (Grade 5)

Accounting Officer

Mr M.P. Raedani

Chief Finance Officer (Acting)

Ms B.V. Monkwe

Registered office

Civic Centre
Cnr Commissioner & Market Street
Krugersdorp
1740

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General Information

Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp 1740
Telephone number	011 951 2000
Bankers	Standard Bank of South Africa
Auditors	Auditor - General South Africa (AGSA)
Audit Committee members	Ms Masaccha Mbonambi (Chair) (July 2016 to 31 January 2017) Mr Bashir Ahmed (July 2016 to 31 January 2017) Ms Caroline Phetwe (July 2016 to 31 January 2017) Mr Bashir Ahmed (Chair) (From February 2017 – June 2017) Ms Masaccha Mbonambi (From February 2017 – June 2017) Mr Luvuyo Malinga (From February 2017 – June 2017) Mr Todani Nemadzhilili (From February 2017 – June 2017) Mr Bhekokuhle Menyuka (Resigned 2 June 2017)

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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, the Accounting Officer sets the 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 2018 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 90, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017:

Accounting Officer
M.P. Raedani

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
ASSETS			
CURRENT ASSETS			
Inventories	2	18 599 974	15 202 139
Receivables from non-exchange transactions	3	173 662 857	158 786 370
Receivables from exchange transactions	4	201 912 792	261 971 923
Cash and cash equivalents	5	44 749 336	67 291 646
Operating lease asset	6	189 629	200 245
VAT receivable	22	37 795 632	18 319 931
Financial assets	11	79 674 351	-
		556 584 571	521 772 254
NON-CURRENT ASSETS			
Investment property	7	502 001 258	486 713 147
Property, plant and equipment	8	5 525 967 842	5 570 128 189
Intangible assets	9	8 715 194	14 868 510
Heritage assets	10	2 466 041	2 451 665
Financial assets	11	632 448	70 293 734
		6 039 782 783	6 144 455 245
Total Assets		6 596 367 354	6 666 227 499
LIABILITIES			
CURRENT LIABILITIES			
Employee benefit obligation	13	10 986 958	11 838 483
Finance lease obligation	14	27 255 388	20 262 230
Unspent conditional grants and receipts	15	8 851 770	14 058 385
Provisions	16	17 264 515	15 272 550
Payables from non-exchange transactions	18	89 034 175	86 507 118
Payables from exchange transactions	19	698 761 686	587 209 198
Financial liabilities	20	106 222 935	33 813 873
Sundry deposits	21	11 332 528	10 702 565
Consumer deposits	23	57 440 779	56 628 022
		1 027 150 734	836 292 424
NON-CURRENT LIABILITIES			
Employee benefit obligation	13	219 873 021	219 721 398
Finance lease obligation	14	12 800 198	29 784 761
Provisions	16	22 775 158	19 638 455
Financial liabilities	20	370 947 768	477 170 702
		626 396 145	746 315 316
TOTAL LIABILITIES		1 653 546 879	1 582 607 740
NET ASSETS		4 942 820 475	5 083 619 759
Social Responsibility Fund		16 098 176	12 659 572
Accumulated surplus		4 926 722 299	5 070 960 187
Total Net Assets		4 942 820 475	5 083 619 759

* See Note 45

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	1 454 866 118	1 385 468 883
Rental of facilities and equipment	27	3 397 797	3 315 643
Income from agency services	28	25 428 001	24 960 831
Licences and permits		33 250	28 004
Other income	29	97 750 865	127 036 968
Interest received - Outstanding debtors	30	30 538 473	17 035 644
Interest received - investment	30	13 625 630	15 346 787
Dividends received	30	20 925	20 325
Total revenue from exchange transactions		1 625 661 059	1 573 213 085
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	468 861 894	438 294 367
Penalties imposed	31	40 421 258	25 046 273
Transfer revenue			
Government grants & subsidies	32	441 375 873	425 166 370
Traffic fines	25	8 520 375	135 658 401
Total revenue from non-exchange transactions		959 179 400	1 024 165 411
Total revenue		2 584 840 459	2 597 378 496
Expenditure			
Employee related costs	33	(641 622 562)	(579 223 901)
Remuneration of councillors	34	(29 169 399)	(26 690 207)
Depreciation and amortisation	35	(281 919 140)	(240 105 329)
Impairment Assets	36	(2 365)	(22 515 182)
Finance costs	37	(55 853 151)	(39 232 014)
Debt Impairment	38	(152 071 458)	(186 320 910)
Collection costs	39	(35 246 880)	(40 759 981)
Repairs and maintenance	40	(100 093 719)	(77 574 922)
Bulk purchases	41	(889 809 023)	(810 220 599)
Contracted services	42	(217 779 545)	(243 922 042)
Transfers and Subsidies	43	(59 387 369)	(68 517 304)
General Expenses	44	(266 124 442)	(277 786 289)
Total expenditure		(2 729 079 053)	(2 612 868 680)
Deficit for the year		(144 238 594)	(15 490 184)

* See Note 45

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Statement of Changes in Net Assets

Figures in Rand	Social Responsibility fund	Accumulated surplus	Total net assets
Balance at 01 July 2015	10 433 872	5 086 450 371	5 096 884 243
Changes in net assets			
Surplus/deficit for the year	-	(15 490 184)	(15 490 184)
Social Responsibility Fund	2 225 700	-	2 225 700
Total changes	2 225 700	(15 490 184)	(13 264 484)
Opening balance as previously reported	12 659 572	5 106 001 365	5 118 660 937
Adjustments			
Prior year adjustments	-	(35 040 472)	(35 040 472)
Restated* Balance at 01 July 2016 as restated*	12 659 572	5 070 960 893	5 083 620 465
Changes in net assets			
Surplus/deficit for the year	-	(144 238 594)	(144 238 594)
Social Responsibility Fund	3 438 604	-	3 438 604
Total changes	3 438 604	(144 238 594)	(140 799 990)
Balance at 30 June 2017	16 098 176	4 926 722 299	4 942 820 475

* See Note 45

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Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Property Rates		468 861 894	438 294 368
Sale of goods and services		1 468 627 732	1 530 682 686
Grants		436 169 258	437 512 629
Interest income		44 164 103	32 382 431
Dividends received		20 925	20 325
Other receipts		129 382 460	177 072 077
		2 547 226 372	2 615 964 516
Payments			
Employee costs		(671 491 863)	(603 807 237)
Suppliers		(1 085 528 132)	(982 919 949)
Finance costs		(55 853 151)	(39 232 014)
Other payments		(467 501 529)	(614 568 181)
		(2 280 374 675)	(2 240 527 381)
Net cash flows from operating activities	46	266 851 697	375 437 135
Cash flows from investing activities			
Purchase of property, plant and equipment		(235 926 328)	(458 910 330)
Derecognition of property, plant and equipment		365 039	-
Purchase of investment property		-	(2 000 000)
Proceeds from sale of other intangible assets		-	(87 637)
Purchases of heritage assets		(14 376)	(1 005 922)
Financial Assets		(10 013 065)	(8 686 175)
Net cash flows from investing activities		(245 588 730)	(470 690 064)
Cash flows from financing activities			
Finance lease payments		(9 991 405)	38 487 696
Financial Liabilities		(33 813 872)	(41 839 654)
Net cash flows from financing activities		(43 805 277)	(3 351 958)
Net increase/(decrease) in cash and cash equivalents		(22 542 310)	(98 604 889)
Cash and cash equivalents at the beginning of the year		67 291 646	165 896 535
Cash and cash equivalents at the end of the year	5	44 749 336	67 291 646

* See Note 45

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Variance: final budget and actual amounts	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	1 472 274 376	(172 076 702)	1 300 197 674	1 454 866 118	154 668 444	
Rental of facilities and equipment	3 445 580	50 584	3 496 164	3 397 797	(98 367)	
Interest received-Outstanding debtors	41 506 766	(13 096 013)	28 410 753	30 538 473	2 127 720	
Income from agency services	22 184 201	3 588 088	25 772 289	25 428 001	(344 288)	
Licence and permits	29 496	(8 388)	21 108	33 250	12 142	
Other income	46 801 098	144 632 311	191 433 409	97 750 865	(93 682 544)	
Interest received - investment	2 040 000	(487 729)	1 552 271	13 625 630	12 073 359	
Dividends received	-	-	-	20 925	20 925	
Total revenue	1 588 281 517	(37 397 849)	1 550 883 668	1 625 661 059	74 777 391	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	449 639 865	(27 415 665)	422 224 200	468 861 894	46 637 694	
Penalties imposed	24 328 956	5 963 300	30 292 256	40 421 258	10 129 002	
Transfer revenue						
Government grants & subsidies	554 396 000	(107 514 672)	446 881 328	441 375 873	(5 505 455)	
Fines, penalties and forfeits	30 000 000	(9 600 542)	20 399 458	8 520 375	(11 879 083)	
Total revenue from non-exchange transactions	1 058 364 821	(138 567 579)	919 797 242	959 179 400	39 382 158	
Total revenue	2 646 646 338	(175 965 428)	2 470 680 910	2 584 840 459	114 159 549	
Expenditure						
Employee related costs	(655 742 732)	3 544 464	(652 198 268)	(641 622 562)	10 575 706	
Remuneration of councillors	(28 764 052)	(6 200 530)	(34 964 582)	(29 169 399)	5 795 183	
Depreciation and amortisation	(298 153 971)	51 153 971	(247 000 000)	(281 919 140)	(34 919 140)	
Impairment loss	-	-	-	(2 365)	(2 365)	
Finance costs	(52 094 313)	(1 713 899)	(53 808 212)	(55 853 151)	(2 044 939)	
Debt impairment	(96 500 450)	(65 040 020)	(161 540 470)	(152 071 458)	9 469 012	
Collection costs	(28 045 543)	6 405 305	(21 640 238)	(35 246 880)	(13 606 642)	
Repairs and maintenance	(107 086 709)	22 325 896	(84 760 813)	(100 093 719)	(15 332 906)	
Bulk purchases	(922 980 970)	(7 579 562)	(930 560 532)	(889 809 023)	40 751 509	
Contracted services	(243 035 175)	21 834 567	(221 200 608)	(217 779 545)	3 421 063	
Transfers and subsidies	(57 571 212)	5 326 800	(52 244 412)	(59 387 369)	(7 142 957)	
General expenses	(293 119 178)	91 797 968	(201 321 210)	(266 124 442)	(64 803 232)	
Total expenditure	(2 783 094 305)	121 854 960	(2 661 239 345)	(2 729 079 053)	(67 839 708)	
Deficit for the year	(136 447 967)	(54 110 468)	(190 558 435)	(144 238 594)	46 319 841	
	(136 447 967)	(54 110 468)	(190 558 435)	(144 238 594)	46 319 841	See note 47

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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
2017											
Financial Performance											
Property rates	449 639 865	(27 415 665)	422 224 200	-	-	422 224 200	509 283 152	-	87 058 952	121 %	113 %
Service charges	1 472 274 376	(172 076 702)	1 300 197 674	-	-	1 300 197 674	1 454 866 118	-	154 668 444	112 %	99 %
Investment revenue	2 040 000	(487 729)	1 552 271	-	-	1 552 271	13 646 555	-	12 094 284	879 %	669 %
Transfers recognised - operational	298 444 000	(1 094 681)	297 349 319	-	-	297 349 319	298 893 744	-	1 544 425	101 %	100 %
Other own revenue	168 296 097	131 529 340	299 825 437	-	-	299 825 437	165 668 761	-	(134 156 676)	55 %	98 %
Total revenue (excluding capital transfers and contributions)	2 390 694 338	(69 545 437)	2 321 148 901	-	-	2 321 148 901	2 442 358 330	-	121 209 429	105 %	102 %
Employee costs	(655 742 732)	3 544 464	(652 198 268)	-	-	(652 198 268)	(641 622 562)	-	10 575 706	98 %	98 %
Remuneration of councillors	(28 764 052)	(6 200 530)	(34 964 582)	-	-	(34 964 582)	(29 169 399)	-	5 795 183	83 %	101 %
Debt impairment	(96 500 450)	(65 040 020)	(161 540 470)	-	-	(161 540 470)	(152 071 458)	-	9 469 012	94 %	158 %
Depreciation and asset impairment	(298 153 971)	51 153 971	(247 000 000)	-	-	(247 000 000)	(281 921 505)	-	(34 921 505)	114 %	95 %
Finance charges	(52 094 313)	(1 713 899)	(53 808 212)	-	-	(53 808 212)	(55 853 151)	-	(2 044 939)	104 %	107 %
Materials and bulk purchases	(1 030 067 679)	14 746 334	(1 015 321 345)	-	-	(1 015 321 345)	(889 809 023)	-	125 512 322	88 %	86 %
Transfers and grants	(57 571 212)	5 326 800	(52 244 412)	-	-	(52 244 412)	(59 387 369)	-	(7 142 957)	114 %	103 %
Other expenditure	(564 199 896)	120 037 840	(444 162 056)	-	-	(444 162 056)	(619 244 586)	-	(175 082 530)	139 %	110 %
Total expenditure	(2 783 094 305)	121 854 960	(2 661 239 345)	-	-	(2 661 239 345)	(2 729 079 053)	-	(67 839 708)	103 %	98 %
Surplus/(Deficit)	(392 399 967)	52 309 523	(340 090 444)	-	-	(340 090 444)	(286 720 723)	-	53 369 721	84 %	73 %
Transfers recognised - capital	255 952 000	(106 419 992)	149 532 008	-	-	149 532 008	142 482 129	-	(7 049 879)	95 %	56 %
Surplus (Deficit) after capital transfers and contributions	(136 447 967)	(54 110 469)	(190 558 436)	-	-	(190 558 436)	(144 238 594)	-	46 319 842	76 %	106 %
Surplus/(Deficit) for the year	(136 447 967)	(54 110 469)	(190 558 436)	-	-	(190 558 436)	(144 238 594)	-	46 319 842	76 %	106 %

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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
Capital expenditure and funds sources											
Total capital expenditure	(424 968 598)	149 460 748	(275 507 850)	-		(275 507 850)	(228 814 012)		46 693 838	83 %	54 %
Sources of capital funds											
Transfers recognised - capital	(255 952 000)	106 419 992	(149 532 008)	-		(149 532 008)	(142 482 128)		7 049 880	95 %	56 %
Borrowing	(2 879 630)	-	(2 879 630)	-		(2 879 630)	(2 879 630)		-	100 %	100 %
Internally generated funds	(166 136 968)	43 040 756	(123 096 212)	-		(123 096 212)	(83 452 254)		39 643 958	68 %	50 %
Total sources of capital funds	(424 968 598)	149 460 748	(275 507 850)	-		(275 507 850)	(228 814 012)		46 693 838	83 %	54 %
Cash flows											
Net cash from (used) operating	273 621 504	(30 537 978)	243 083 526	-		243 083 526	266 851 697		23 768 171	110 %	98 %
Net cash from (used) investing	(404 968 598)	129 460 747	(275 507 851)	-		(275 507 851)	(245 588 730)		29 919 121	89 %	61 %
Net cash from (used) financing	(33 813 833)	-	(33 813 833)	-		(33 813 833)	(43 805 277)		(9 991 444)	130 %	130 %
Net increase/(decrease) in cash and cash equivalents	(165 160 927)	98 922 769	(66 238 158)	-		(66 238 158)	(22 542 310)		43 695 848	34 %	14 %
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	67 291 646		67 291 646	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	(165 160 927)	98 922 769	(66 238 158)	-		(66 238 158)	44 749 336		(110 987 494)	(68)%	(27)%

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 of these annual financial statements.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

1.6 GRAP Standards effective for the current financial year

The municipality expects to adopt the standard of GRAP 20: Related parties for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard. During the current financial year numerous standards were amended and improved. The municipality has adopted the improvements for the first time in the 2017 annual financial statements.

1.7 Standards approved not yet effective

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 20 Related parties	Not yet effective	Material
GRAP 18 Segment reporting	Not yet effective	Not material – not applicable to entity currently
GRAP 32 Service Concession Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 108 Statutory receivables	Not yet effective	Not material – not applicable to entity currently
IGRAP 17 Service Concession arrangements	Not yet effective	Not material – not applicable to entity currently
IGRAP 18 Recognition and derecognition of Land	Not yet effective	Not material – not applicable to entity currently
GRAP 109 Accounting by Principals and Agents	Not yet effective	Not material – not applicable to entity currently
GRAP 34 Separate Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 35 Consolidated Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 36 Investments in Associates and Joint Ventures	Not yet effective	Not material – not applicable to entity currently
GRAP 37 Joint Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 38 Disclosure of Interests in Other Entities	Not yet effective	Not material – not applicable to entity currently
GRAP 110 Living and Non-Living Resources	Not yet effective	Not material – not applicable to entity currently

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1.8 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 27	Agriculture
GRAP 107	Mergers
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control

1.9 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.

1.9.1 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.

1.9.2 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.

1.9.3 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. A provision for impairment is raised on debtors that have been outstanding for longer than 120 days. A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 4 years, fines older than 3 years are considered to be impaired and are written off. No provision for impairment is raised on the SARS receivable as it is not considered to be impaired.

1.9.4 Impairment of property, plant and equipment, heritage assets, intangible assets and investment property

The calculation in respect of the impairment of property, plant and equipment, heritage assets, intangible assets and investment property 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, heritage assets, intangible assets and investment property.

1.9.5 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.

1.9.6 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.

1.10 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.

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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. Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 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/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality has established a 1% Corporate Social Responsibility (CSR) levy during the financial year that has ended on 30 June 2010. All Suppliers that are situated outside the borders of the Municipality that are benefiting through the Supply Chain Management processes and procedures, must contribute a 1% of all their payments that the Municipality would be making to them throughout the tender tenure, to the Municipality's Corporate Social Responsibility Levy. This 1% CSR Levy are being ring-fenced in a separate investment banking account and are being appropriated for all the Municipality's Corporate Social Responsibilities towards the societal improvement and upliftment of the communities of Mogale City. The 1% CSR levy are being managed, accounted for and reported to in terms a 1% CSR Policy that are being reviewed every year with all the Budget related policies.

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 uses management's best estimate of future price(s) that could be achieved at 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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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 cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

2.20 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

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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 overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

The entity discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

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 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

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are transferred to inventories when the rentals end and the assets are available 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 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	EUL
Building	Air conditioning	20
	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
	Civil Structure	Carports
Earth Structure		50
Erosion Protection		50
Filter media		10
Leachate drainage system		50
Lining - landfill		50
Masonry structure		30
RC Structure		50-80
Retaining wall		60
Well		30
Communal sanitation	Septic Tank	40
	Drainage	
Drainage	Channel	5
	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
	Earthworks	Earthworks
Landfill restoration		20-40
Electrical equipment	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30

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	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20

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	Pipe - sewer	40
	Pipe - stormwater	50
	Pipe - water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100
	Road bridge super-structure	100
Road Furniture	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5
	Road marking: Warning	5
	Sign - general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30
	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15
	Bins and containers	5-10
	Books	5-10
	Animals	20-80

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 for use in the production or supply of goods or services or for administrative purposes, 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:

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

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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 do 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 do 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-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 weighted average formula. The same cost formula is used for all inventories

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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 costs. 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. An estimate for doubtful debts based on past default experience of all outstanding amounts at year end.

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. The average credit period on services rendered is 30 days from date of invoice. Impairment of receivables is provided for collectively on all debtors outstanding for more than 120 days determined by reference to past default experience.

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 according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an provision for impairment of debtors account. The impairment loss or gain 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

3.8.1 Payables from exchange transactions

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

3.8.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.9 Financial instruments

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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 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.

3.11 Impairment of non-cash generating assets

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

3.11.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or 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 or 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

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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

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.

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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.

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.

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3.15 Landfill rehabilitation provision

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

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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 tariff for the financial year or period. 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.

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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.

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

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. 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;

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

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed.

All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

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.

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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. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

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 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.

The entity discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

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Figures in Rand

2017

2016

2. Inventories

Consumable stores	16 439 089	13 247 854
Water	400 873	407 518
Other (Sub Stores)	1 760 012	1 546 767
	18 599 974	15 202 139

3. Receivables from non-exchange transactions

	2017			2016		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Property rates	259 768 660	(255 260 971)	4 507 689	245 443 072	(241 285 924)	4 157 148
Other receivable: Traffic fines and SARS	200 636 069	(117 914 038)	82 722 031	296 980 615	(226 563 500)	70 417 115
Credit balances transferred to payables from non exchange	86 433 137	-	86 433 137	84 212 107	-	84 212 107
	546 837 866	(373 175 009)	173 662 857	626 635 794	(467 849 424)	158 786 370

Age Analysis (Property rates)

Current (0-30 days)	(299 243)	63 590 653
31-60 days	3 394 301	14 641 484
61-90 days	12 246 103	5 221 896
91-120 days	7 413 924	8 044 046
+ 120 days	237 013 575	153 944 993
	259 768 660	245 443 072

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Figures in Rand	2017	2016
3. Receivables from non-exchange transactions (continued)		
Age Analysis (other receivables and traffic fines)		
Current (0-30 days)	15 914 200	151 565 843
31-60 days	-	2 309 316
91-120 days	10 532 149	7 381 644
+ 120 days	174 189 720	135 723 812
	200 636 069	296 980 615
Credit balance transferred to creditors		
Current (0-30 days)	8 136 732	16 355 158
31-60 days	5 003 474	3 215 163
61-90 days	5 070 708	6 040 930
91-120 days	2 739 390	9 714 634
+ 120 days	65 482 833	48 886 222
	86 433 137	84 212 107
Receivables from non-exchange transactions pledged as security		
None of other receivables from non-exchange transactions were pledged as security for overdraft facilities.		
Receivables from non-exchange transactions past due date but not impaired		
Rates	15 607 829	27 907 425
Other receivables and traffic Fines	18 275 892	9 690 960
Receivables from non-exchange transactions past due date but not impaired comprises of receivables past 30 days but not older than 120 days.		
Reconcilliation of provision for impairment of recievables from non-exchange transactions		
Opening balance	467 849 424	422 623 880
Current year contribution	(12 041 664)	99 206 861
Impairment	(82 632 751)	(53 981 317)
	373 175 009	467 849 424

As at 30 June 2017, total receivables from non exchange transactions were R546 837 866 (2016: R626 635 794).

The amount of the provision for impairment was R373 175 009 as at 30 June 2017 (2016: R467 849 424). The percentage of the provision against total receivables from non exchange transactions was 68.24% as at 30 June 2017 (2016: 74.66%).

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4. Receivables from exchange transactions

Receivables per category	2017			2016		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Electricity	155 998 694	(78 449 591)	77 549 103	145 374 298	(37 830 635)	107 543 663
Water	155 193 301	(138 612 751)	16 580 550	146 147 678	(110 507 672)	35 640 006
Sundry debtors and loans	69 190 624	(37 127 003)	32 063 621	76 288 115	(37 604 287)	38 683 828
Sewerage	145 376 363	(125 782 272)	19 594 091	120 389 497	(101 079 380)	19 310 117
Refuse	176 399 112	(160 466 221)	15 932 891	151 175 974	(141 204 364)	9 971 610
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	270 548 960	(236 873 062)	33 675 898	217 058 945	(175 246 590)	41 812 355
Subtotal	972 707 054	(777 310 900)	195 396 154	856 434 507	(603 472 928)	252 961 579
Sundry staff leave & Personal interim advances	738 098	-	738 098	1 679 885	-	1 679 885
Credit balance transfered to creditors	5 778 540	-	5 778 540	7 330 459	-	7 330 459
	6 516 638	-	6 516 638	9 010 344	-	9 010 344
	979 223 692	(777 310 900)	201 912 792	865 444 851	(603 472 928)	261 971 923

Electricity

Current (0 -30 days)	49 031 937	95 758 155
31 - 60 days	8 243 096	12 101 004
61 - 90 days	15 056 288	2 596 492
91 - 120 days	6 250 801	3 056 524
121 - 365 days	77 416 572	31 862 123
	155 998 694	145 374 298

Water

Current (0 -30 days)	11 048 111	25 978 328
31 - 60 days	1 220 120	12 308 650
61 - 90 days	2 474 092	4 410 297
91 - 120 days	3 274 289	6 435 467
121 - 365 days	137 176 689	97 014 936
	155 193 301	146 147 678

Sewerage

Current (0 -30 days)	7 599 945	17 670 492
31 - 60 days	4 602 204	5 689 061
61 - 90 days	5 468 168	3 348 826
91 - 120 days	3 743 932	2 978 547
121 - 365 days	123 962 114	90 702 571
	145 376 363	120 389 497

Refuse

Current (0 -30 days)	6 407 279	12 791 493
31 - 60 days	3 406 419	4 698 025
61 - 90 days	3 827 615	3 128 148
91 - 120 days	3 221 432	2 728 658
121 - 365 days	159 536 367	127 829 650
	176 399 112	151 175 974

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4. Receivables from exchange transactions (continued)		
Sundry Debtors and Loans		
Current (0 -30 days)	31 121 715	35 833 241
31 - 60 days	358 263	5 928 785
61 - 90 days	175 417	(1 193 746)
91 - 120 days	135 769	8 496
121 - 365 days	37 399 460	35 711 339
	69 190 624	76 288 115
Other		
Current (0 -30 days)	19 861 682	34 793 502
31 - 60 days	4 851 091	11 722 415
61 - 90 days	6 126 698	6 032 345
91 - 120 days	4 416 123	5 260 871
121 - 365 days	235 290 356	159 249 812
	270 545 950	217 058 945
Receivable from exchange transactions impaired		
As at 30 June 2017, total receivable from exchange transactions were R979 220 682 (2016: 865 444 851).		
The amount of the provision was R777 310 900 as at 30 June 2017 (2016: R603 472 928). The percentage of the provision against total receivables from exchange transactions was 79.38% as at 30 June 2017 (2016: 69.73%)		
Receivables from exchange transactions past due but not impaired:		
Electricity	29 208 698	17 754 019
Water	6 643 915	23 154 414
Sewerage	13 041 784	12 016 434
Refuse	10 215 198	10 554 830
Other	14 966 485	80 697 912
Sundry debtors and loans	962 407	5 395 612
	75 038 487	149 573 221
Receivables from exchange transactions past due date but not impaired comprises of receivables past 30 days but not older than 120 days.		
Reconciliation of allowance for impairment		
Balance at beginning of the year	603 472 927	458 419 390
Contributions to provision	186 883 396	152 662 071
Provision for impairment/write off	(13 045 423)	(7 608 534)
	777 310 900	603 472 927
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	40 324	33 397
Bank balances	14 443 347	26 084 760
Call accounts money market accounts	30 265 665	41 173 489
	44 749 336	67 291 646
Current assets	44 749 336	67 291 646
Current liabilities	-	-

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5. Cash and cash equivalents (continued)

44 749 336 67 291 646

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
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Guarantee held at Standard Bank call account no:728430118-001 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

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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 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Standard Bank- 021307482	683 252	441 079	5 867 458	683 812	441 736	5 868 135
Standard Bank-021307474	269 872	6 618 120	6 756 966	269 872	6 618 120	6 756 966
Cheque Accounts						
Standard Bank- 021307385	49 872	33 773	34 433	49 872	33 773	34 433
Cheque Accounts						
Standard Bank- 021307172	115 934	231 162	268 006	115 231	200 138	268 511
Cheque Accounts						
Standard Bank- 021307105	829 967	1 839 765	6 590 471	829 967	1 840 124	6 590 707
Cheque Accounts						
Standard Bank-021306958	1 167 015	3 064 347	1 344 981	209 415	1 805 078	748 471
Cheque Accounts						
Standard Bank-021306532	12 235 927	15 148 839	10 910 201	12 235 483	15 145 791	10 909 572
Cheque Accounts						
Standard Bank-021457654	49 695	-	-	49 695	-	-
Cheque Accounts						
Call Account	30 265 665	41 173 489	134 687 320	30 265 665	41 173 489	134 687 320
Petty Cash	40 324	33 397	32 419	40 324	33 397	32 419
Total	45 707 523	68 583 971	166 492 255	44 749 336	67 291 646	165 896 534

2017

Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R958 187 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.

2016

Differences on bank statement balances and cash book balances

The differences between bank statement balances and the cash book balances amounting to R1 292 325 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.

6. Operating lease asset

Non-current assets	-	-
Current assets	189 629	200 245
	189 629	200 245
Current assets	189 629	200 245

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6. Operating lease asset (continued)

Leases of assets where all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Monies received under operating leases are charged to the statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The lease terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10 % per annum.

7. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	502 001 258	-	502 001 258	486 713 147	-	486 713 147

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustment	Total
Investment property	486 713 147	15 288 111	502 001 258

Reconciliation of investment property - 2016

	Opening balance	Capital Expenditure	Fair value adjustment	Total
Investment property	491 651 098	2 000 000	(6 937 951)	486 713 147

2017

Fair values of the Investment Property assets were initially established based on the amounts determined in the preparation of the valuation roll 2009, and they were subsequently aligned with the 2014 Valuation roll. The values on the valuation roll are adjusted based on the trend in sales for the retrospective financial years.

The fair value adjustment based on the trend of actual sales price were based on data sourced from the Lightstone toolkit that records all sales transactions per suburb on a monthly basis, therefore resulted in the 3.2% increment with the monetary adjustment of R 15 288 111 as disclosed on the Statement of Financial Performance.

2016

The fair values of the Investment Property assets were initially established based on amounts determined in the preparation of the valuation roll 2009, and have been subsequently adjusted based on trend in sales prices for the retrospective financial years.

The fair value adjustment based on the trend of actual sales price were based on data sourced from the Lightstone toolkit that records all sales transactions per suburb on a monthly basis. The trend is indicated reflecting a decrease of 1,30% on the previous sales.

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8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 702 978	-	32 702 978	32 702 978	-	32 702 978
Buildings	546 881 910	(344 981 822)	201 900 088	546 003 031	(329 466 399)	216 536 632
Plant and machinery	27 902 478	(20 990 408)	6 912 070	27 706 541	(16 856 876)	10 849 665
Furniture and fixtures	13 940 295	(8 689 288)	5 251 007	12 374 759	(6 729 967)	5 644 792
Motor vehicles	17 358 434	(13 458 708)	3 899 726	17 398 680	(11 032 534)	6 366 146
Office equipment	5 732 761	(5 302 864)	429 897	5 629 076	(4 931 213)	697 863
IT equipment	22 761 684	(10 862 074)	11 899 610	13 599 673	(7 603 447)	5 996 226
Capital WIP Building Property	3 129 828	-	3 129 828	5 045 020	(3 074 340)	1 970 680
Capital WIP Community	124 982 024	-	124 982 024	107 596 966	(12 213 928)	95 383 038
Roads & Stormwater	3 558 029 423	(1 375 236 843)	2 182 792 580	3 513 295 825	(1 314 685 380)	2 198 610 445
Community assets	1 090 893 518	(429 861 461)	661 032 057	1 038 607 367	(405 677 402)	632 929 965
Capital WIP Roads & Stormwater	30 177 802	-	30 177 802	42 344 360	(78 699)	42 266 661
Capital WIP Sanitation Network	91 830 413	-	91 830 413	81 915 465	(275 916)	81 639 549
Capital WIP Electricity Network	20 630 702	-	20 630 702	54 627 538	(2 186 447)	52 441 091
Bins and containers	9 002 040	(6 531 135)	2 470 905	8 210 130	(5 236 057)	2 974 073
Capital WIP Movable Assets	6 854 743	-	6 854 743	5 977 000	(647 835)	5 329 165
Electricity Network	2 801 716 082	(1 771 753 540)	1 029 962 542	2 763 836 870	(1 721 100 727)	1 042 736 143
Emergency equipment	87 793	(49 668)	38 125	87 793	(20 091)	67 702
Leased Assets	148 600 651	(119 929 628)	28 671 023	123 445 066	(76 361 059)	47 084 007
Capital WIP Water Network	71 464 605	-	71 464 605	67 309 813	(3 946 415)	63 363 398
Animals PPE	8 344 502	(3 817 667)	4 526 835	6 482 303	(3 508 222)	2 974 081
Inventory items	1 910 149	(1 891 434)	18 715	1 868 949	(1 787 135)	81 814
Library books	24 989 610	(15 839 663)	9 149 947	21 450 601	(12 978 055)	8 472 546
Wastewater network	1 247 469 311	(765 910 196)	481 559 115	1 226 447 910	(733 453 980)	492 993 930
Water network	1 142 424 429	(628 747 413)	513 677 016	1 116 670 189	(596 661 174)	520 009 015
Air conditioners	722 163	(718 674)	3 489	722 163	(714 579)	7 584
Total	11 050 540 328	(5 524 572 486)	5 525 967 842	10 841 356 066	(5 271 227 877)	5 570 128 189

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In /Out)	Derecognition	Provision	Depreciation	Additions	Total
Land	32 702 978	-	-	-	-	-	-	-	32 702 978
Buildings	216 536 632	-	-	947 277	(68 397)	-	(15 515 424)	-	201 900 088
Plant and machinery	10 849 665	-	-	196 330	(394)	-	(4 133 531)	-	6 912 070
Furniture and fixtures	5 644 792	-	-	1 567 596	(2 060)	-	(1 959 321)	-	5 251 007
Motor vehicles	6 366 146	-	-	-	(40 246)	-	(2 426 174)	-	3 899 726
Office equipment	697 863	-	-	106 948	(3 264)	-	(371 650)	-	429 897
IT equipment	5 996 226	-	-	9 166 507	(4 496)	-	(3 258 627)	-	11 899 610
Capital Wip Building Property	1 970 680	2 110 734	-	(951 586)	-	-	-	-	3 129 828
Capital Wip Community	95 383 038	85 190 626	-	(55 591 640)	-	-	-	-	124 982 024
Roads & Stormwater	2 198 610 445	-	-	51 078 282	(6 344 683)	-	(60 551 464)	-	2 182 792 580
Community assets	632 929 965	-	-	58 071 534	(6 573 078)	787 696	(24 184 060)	-	661 032 057
Capital WIP Roads & Stormwater	42 265 661	42 080 494	-	(54 168 353)	-	-	-	-	30 177 802
Capital WIP Sanitation Network	81 639 549	28 718 055	-	(18 527 191)	-	-	-	-	91 830 413
Capital WIP Electricity network	52 441 091	11 783 860	-	(43 594 249)	-	-	-	-	20 630 702
Bins and containers	2 974 073	-	-	875 044	(83 134)	-	(1 295 078)	-	2 470 905
Capital WIP Movable assets	5 329 165	8 599 276	-	(7 073 698)	-	-	-	-	6 854 743
Electricity Network	1 042 736 143	-	5 317 818	32 561 393	-	-	(50 652 812)	-	1 029 962 542
Emergency equipment	67 702	-	-	-	-	-	(29 577)	-	38 125
Leased Assets	47 084 007	-	-	-	-	-	(43 568 569)	25 155 585	28 671 023
Capital WIP Water Network	63 363 398	32 287 699	-	(24 186 492)	-	-	-	-	71 464 605
Animals PPE	2 974 081	-	1 881 951	-	(19 751)	-	(309 446)	-	4 526 835
Inventory assets	81 814	-	-	41 200	-	-	(104 299)	-	18 715
Library books	8 472 546	-	1 713 789	1 825 220	-	-	(2 861 608)	-	9 149 947
Waste water network	492 993 930	-	-	21 051 012	(29 611)	-	(32 456 216)	-	481 559 115
Water network	520 009 015	-	-	26 629 727	(875 487)	-	(32 086 239)	-	513 677 016
Air conditioner	7 584	-	-	-	-	-	(4 095)	-	3 489
	5 570 128 189	210 770 744	8 913 558	24 861	(14 044 601)	787 696	(275 768 190)	25 155 585	5 525 967 842

Repairs and maintenance

All repairs and maintenance amounting to R98 853 889 were incurred in respect of property, plant and equipment, refer to note 40.

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	WIP Capital Expenditure	WIP Transfer (In/Out)	Donations	Derecognition	Depreciation	Fair Value Adjustment	Impairment loss	Additions	Total
Land	32 702 978	-	-	-	-	-	-	-	-	32 702 978
Buildings	216 523 939	-	10 517 796	-	(990 030)	(9 515 073)	-	-	-	216 536 632
Plant and machinery	9 953 018	-	3 490 105	-	(24 862)	(2 568 596)	-	-	-	10 849 665
Furniture and fixtures	5 351 099	-	1 015 797	-	(54 292)	(667 812)	-	-	-	5 644 792
Motor vehicles	8 403 317	-	26 200	-	-	(2 063 371)	-	-	-	6 366 146
Office equipment	1 539 580	-	93 343	-	(5 755)	(929 305)	-	-	-	697 863
IT equipment	5 436 240	-	1 887 390	-	(87 064)	(1 240 340)	-	-	-	5 996 226
Capital Wip Building	16 312 241	12 688	(11 279 909)	-	-	-	-	(3 074 340)	-	1 970 680
Property										
Capital WIP Community	71 296 578	114 455 981	(78 155 593)	-	-	-	-	(12 213 928)	-	95 383 038
Roads & Stormwater	2 154 407 762	-	112 034 462	-	(120 587)	(67 711 192)	-	-	-	2 198 610 445
Community assets	613 202 407	-	41 909 317	-	-	(20 327 487)	(1 854 272)	-	-	632 929 965
Capital WIP Roads & Stormwater	23 975 745	112 239 604	(93 870 989)	-	-	-	-	(78 699)	-	42 265 661
Capital WIP Sanitation Network	43 726 689	48 780 877	(10 592 101)	-	-	-	-	(275 916)	-	81 639 549
Capital WIP Electricity network	18 010 058	36 657 134	(39 654)	-	-	-	-	(2 186 447)	-	52 441 091
Bins and containers	2 897 493	-	408 928	-	-	(332 348)	-	-	-	2 974 073
Capital WIP Movable assets	5 400 640	7 675 312	(7 098 953)	-	-	-	-	(647 834)	-	5 329 165
Electricity Network	1 092 015 524	-	1 406 076	-	(1 274 114)	(49 411 343)	-	-	-	1 042 736 143
Emergency equipment	85 002	-	-	-	-	(17 300)	-	-	-	67 702
Leased Assets	11 447 800	-	-	-	-	(26 837 849)	-	-	62 474 056	47 084 007
Capital WIP Water Network	87 988 566	76 614 678	(97 293 431)	-	-	-	-	(3 946 415)	-	63 363 398
Animals PPE	2 526 357	-	-	1 091 940	(56 161)	(588 055)	-	-	-	2 974 081
Inventory assets	45 850	-	70 148	-	-	(34 184)	-	-	-	81 814
Library books	7 873 858	-	2 347 028	159 991	-	(1 908 331)	-	-	-	8 472 546
Wastewater network	483 057 181	-	31 978 280	-	(5 871)	(22 035 660)	-	-	-	492 993 930
Water network	458 365 517	-	91 145 759	-	(2 497 547)	(27 004 714)	-	-	-	520 009 015
Air conditioner	7 174	-	-	-	-	410	-	-	-	7 584
	5 372 552 613	396 436 274	(1)	1 251 931	(5 116 283)	(233 192 550)	(1 854 272)	(22 423 579)	62 474 056	5 570 128 189

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8. Property, plant and equipment (continued)

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

Asset class	Capital Cost Open	Capital Cost Year	Closing Cost
Community Assets	8 499 108	-	8 499 108
Electricity Network	3 359 121	-	3 359 121
Investment Property	9 215 593	-	9 215 593
Sanitation Network	33 234 352	-	33 234 352
Water Supply Network	13 414 852	-	13 414 852
Subtotal	67 723 026	-	67 723 026
	67 723 026	-	67 723 026

Community Assets

The projects with no Capital Cost in the year of review are as follows: Game Reserve fencing, Small Parks development, construction of guardhouse, Rural Cemetery fencing and Rietvallei 2&3 sports complex. The delay is due to the lack of funds in the budget for the financial year under review.

Electricity Network

The projects under Electricity Network are ongoing projects, only drawings and professional fees were paid and they are still awaiting implementation which is dependent on the availability of funds.

Investment Property

An amount was transferred in the financial year under review to attorneys for the acquisition of land earmarked for development and the registration of the land in question is underway.

Sanitation Network

The projects listed under Sanitation Network include: Dr Sefularo, Kenmare pump station, Lindley Waste Water Treatment Work and Muldersdrift outfall sewer. These are ongoing projects which have no progress currently due to insufficient funds (Budget constraints)

Water Supply Network

The projects listed under Water Supply Network include: Komdraai Pipeline, New Muldersdrift Reservoir and Mindalore Pipeline Replacement. The projects are ongoing but have not been in progress in the current reporting due to insufficient funds.

9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	30 850 862	(23 066 228)	7 784 634	30 850 862	(16 912 912)	13 937 950
Capital WIP-Intangible assets	930 560	-	930 560	930 560	-	930 560
Total	31 781 422	(23 066 228)	8 715 194	31 781 422	(16 912 912)	14 868 510

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9. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Impairment loss	Total
Computer software	13 937 950	(6 150 951)	(2 365)	7 784 634
Capital WIP-Intangible Assets	930 560	-	-	930 560
	14 868 510	(6 150 951)	(2 365)	8 715 194

Reconciliation of intangible assets - 2016

	Opening balance	WIP Capital Expenditure	WIP Transfer (In/Out)	Amortisation	Impairment loss	Total
Computer software	5 913 879	-	15 028 449	(6 912 776)	(91 602)	13 937 950
Capital WIP-Intangible Assets	15 871 374	87 635	(15 028 449)	-	-	930 560
	21 785 253	87 635	-	(6 912 776)	(91 602)	14 868 510

Intangible assets

2017

All the intangible assets were purchased, none of them were internally generated. These include, to name but a few, the BIQ system, IMQS, LIMMS etc. Our intangible assets are initially recognized at cost and subsequently measured at amortised cost and impaired.

2016

The capital expenditure relates to the acquisition of computer software that were purchased but not yet ready for use.

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10. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library books, chief mogale statue & concentration graves	2 466 041	-	2 466 041	2 451 665	-	2 451 665

Reconciliation of heritage assets 2017

	Opening balance	WIP Transfer/Additions	Total
Library books, Chief Mogale statue & concentration camp graves	2 451 665	14 376	2 466 041

Reconciliation of heritage assets 2016

	Opening balance	Additions	Total
Library books, Chief Mogale statue & concentration camp graves	1 445 745	1 005 920	2 451 665

Heritage assets

Chief Mogale Statue, Concentration Camp Graves & Kagiso Monument

2017

These are books that are kept under the Africana section in the library. These books naturally contain knowledge inherited from the past such as cultural teachings, ideological teachings, and historical teachings. An amount of R 14 376 has been capitalized and is not depreciated.

2016

Additions relate to the construction of the Hero's acre in Kagiso.

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11. Financial assets		
Residual interest at cost		
Listed shares(9670 interest in ordinary shares)	632 448	589 114
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R64.80 (2016: R60.36) per share (level 1).		
At amortised cost		
Investments	-	69 704 620
These investments are held by RMB (Rand Merchant Bank) which are sinking funds for the long term loans maturing in December 2017.		
Investments	79 674 351	-
These investments are held by RMB (Rand Merchant Bank) which are sinking funds for the long term loans maturing in December 2017. The investment falls under current assets for the current financial year because of the December maturity date.		
	79 674 351	69 704 620
Current assets		
At amortised cost	79 674 351	-
Non-current assets		
At fair value quoted price (unadjusted) in an active market for identical assets or liabilities	632 448	589 114
At amortised cost	-	69 704 620
	632 448	70 293 734

For fair value measurements recognised in the statement of financial position, Mogale City classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
Listed shares(9670 interest in ordinary shares)	632 448	-	-	632 448

12. Financial assets by category

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

2017

	Financial instruments at fair value	Financial instruments at amortised	Total
Financial assets (refer to note 11)	632 448	79 674 351	80 306 799
Receivables from non- exchange transactions (refer to note 3)	-	173 662 857	173 662 857
Receivable from exchange transactions (refer to note 4)	-	201 912 792	201 912 792
Call accounts money market accounts (refer to note 5)	-	30 265 665	30 265 665
Cash and cash equivalents(refer to note 5)	-	14 483 671	14 483 671
	632 448	499 999 336	500 631 784

2016

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12. Financial assets by category (continued)

	Financial Instruments at fair value	Financial instruments at amortised	Total
Financial assets (refer to note 11)	589 114	69 704 620	70 293 734
Receivables from non- exchange transactions(refer to note 3)	-	158 786 370	158 786 370
Receivable from exchange transaction (refer note to 4)	-	261 971 923	261 971 923
Call accounts money market account (refer to note 5)	-	41 173 489	41 173 489
Cash and cash equivalents (refer to note 5)	-	26 118 157	26 118 157
	589 114	557 754 559	558 343 673

13. Employee benefit obligations

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

Carrying value

Medical aid fund	(175 701 975)	(176 483 960)
Long service awards	(54 385 159)	(54 216 439)
Ex - gratia benefits	(772 845)	(859 482)
	(230 859 979)	(231 559 881)

Non-current liabilities	(219 873 021)	(219 721 398)
Current liabilities	(10 986 958)	(11 838 483)
	(230 859 979)	(231 559 881)

The employee benefit obligations were prepared by ARCH Actuarial Consulting which are independent from the municipality.

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

Opening balance	176 483 959	177 333 692
Net expense recognised in the statement of financial performance	(781 985)	(849 733)
	175 701 974	176 483 959

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

Opening balance	54 216 439	49 818 016
Net expense recognised in the statement of financial performance	168 720	4 398 423
	54 385 159	54 216 439

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

Opening balance	859 482	1 049 371
Net expense recognised in the statement of financial performance	(86 637)	(189 889)
	772 845	859 482

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13. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance:Medical aid subsidy		
Current service cost	8 276 299	8 578 681
Past service cost	(5 469 881)	(5 143 883)
Interest cost	15 870 104	15 693 834
Actuarial (gains) losses	(19 458 507)	(19 978 365)
	(781 985)	(849 733)
Net expense recognised in the statement of financial performance:Long service award		
Current service cost	4 562 713	4 044 429
Past service cost	(7 704 957)	(9 268 466)
Interest cost	4 350 709	3 627 757
Actuarial (gains) losses	(1 039 745)	5 994 703
	168 720	4 398 423
Net expense recognised in the statement of financial performance:Ex-gratia benefits		
Past service cost	(211 166)	(327 121)
Interest cost	68 811	82 840
Actuarial (gains) losses	55 718	54 392
	(86 637)	(189 889)

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13. Employee benefit obligations (continued)

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	9,23 %	9,12 %
Expected rate of return on assets	7,54 %	8,21 %
Expected increase in salaries	1,58 %	0,84 %

The basis used to determine the discount rate

A discount rate of 9.23% per annum has been used. The corresponding index-linked yield at this term is 2.54%. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's 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 7.54% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.04%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.58% which derives from $((1+9.23\%)/(1+7.54\%))-1$.

The expected inflation assumption of 6.04% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.54%) and those of fixed interest bonds (9.23%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.23\%-0.50\%)/(1+2.54\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2018.

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		118.588	57.114	175.702	
Health care inflation	+1%	127.783	58.630	186.413	6%
	-1%	106.123	55.117	161.240	-8%
Discount Rate	+1%	99.548	52.931	152.479	-13%
	-1%	142.896	61.926	204.822	17%
Post-retirement Mortality	-1yr	121.948	59.255	181.203	3%
Average retirement age	-1yr	128.934	57.114	186.048	6%
Continuation of membership at retirement	-10%	99.184	57.114	156.297	-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 2017

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		8,276,300	15,870,100	24,146,400	
Health care	+1%	9,091,500	16,985,900	26,077,400	8%
inflation	-1%	7,153,200	14,417,400	21,570,600	-11%
Discount Rate	+1%	6,763,000	15,153,200	21,916,200	-9%
	-1%	10,256,300	16,619,800	26,876,100	11%
Post-retirement Mortality	-1yr	8,538,700	16,424,600	24,963,300	3%
Average retirement age	-1yr	8,877,900	16,830,800	25,708,700	6%
Continuation of membership at retirement	-10%	6,865,100	14,043,800	20,908,900	-13%

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	8,43 %	8,53 %
Expected rate of return on assets	6,25 %	7,19 %
Expected increase in salaries	2,05 %	1,25 %

The basis used to determine the discount rate

A discount rate of 8.43% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.43% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.55%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.83 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 5.25% was obtained from the differential between market yields on index-linked bonds (2.55%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.43%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.43\%-0.50\%)/(1+2.55\%))-1$.

Thus, a general salary inflation rate of 6.25% 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 2.05%.

It has been assumed that the next salary increase will take place on 1 July 2018.

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;

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13. Employee benefit obligations (continued)

(ii) A 1% increase and decrease in the discount rate;

(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		54.385	
General salary inflation	+1%	57.783	6%
	-1%	51.287	-6%
Discount Rate	+1%	51.140	-6%
	-1%	58.011	7%
Average retirement age	-2 yrs	48.396	-11%
	+2 yrs	60.063	10%
Withdrawal Rate	-50%	63.343	16%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2017

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		4,562,700	4,350,700	8,913,400	
General salary inflation	+1%	4,946,800	4,648,000	9,594,800	8%
	-1%	4,219,200	4,080,700	8,299,900	-7%
Discount Rate	+1%	4,244,800	4,542,400	8,787,200	-1%
	-1%	4,923,700	4,123,000	9,046,700	1%
Average retirement age	-2 yrs	4,127,000	3,831,400	7,958,400	-11%
	+2 yrs	4,966,200	4,841,600	9,807,800	10%
Withdrawal Rate	-50%	5,817,900	5,077,600	10,895,500	22%

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	8,28 %	8,57 %
Expected rate of return on assets	6,09 %	7,27 %
Expected increase in salaries	2,07 %	1,21 %

The basis used to determine the discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 8.28% per annum has been used. The corresponding index-linked yield at this term is 2.57%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

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.

An expected inflation assumption of 5.09% was obtained from the differential between market yields on index-linked bonds (2.57%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.28%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+8.28\%-0.50\%)/(1+2.57\%)$.

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13. Employee benefit obligations (continued)

Thus, a salary increase rate of 6.09% per annum over the expected term of the liability has been assumed, which is 1% in excess of Expected CPI inflation over the same term. This assumption reflects a net interest rate of 2.07%.

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 (which affects future salary/lump sum increases);
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year decrease in the assumed average retirement age.

Sensitivity Analysis on the unfunded Accrued Liability (R Millions)

Assumption	Change	Total Liability	%change
Central assumptions		772,845	
Benefit increase rate	+1%	806,406	4%
	-1%	740,763	-4%
Discount rate	+1%	741,681	-4%
	-1%	806,023	4%
Average retirement age	-1 yr	802,072	4%

Sensitivity Analysis on the interest costs for the year ending 30 June 2017

Assumption	Change	Total Liability	% Change
Central Assumptions		68,811	
Pension Increase rate	+1%	72,407	5%
	-1%	65,390	-5%
Discount Rate	+1%	73,111	6%
	-1%	63,939	-7%
Average retirement age	-1 yr	71,242	4%

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14. Finance lease obligation		
Minimum lease payments due		
- within one year	29 549 843	21 849 597
- in second to fifth year inclusive	12 977 848	31 316 344
- later than five years	1 870 924	2 091 332
	44 398 615	55 257 273
less: future finance charges	(4 343 029)	(5 210 282)
Present value of minimum lease payments	40 055 586	50 046 991
Present value of minimum lease payments due		
- within one year	27 255 388	20 262 230
- in second to fifth year inclusive	11 849 974	28 866 884
- later than five years	950 224	917 877
	40 055 586	50 046 991
Non-current liabilities	12 800 198	29 784 761
Current liabilities	27 255 388	20 262 230
	40 055 586	50 046 991

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2017	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	168 661	-	(10 188)	158 473
Vehicles	48 245 628	24 214 111	(34 877 238)	37 582 501
Equipment	5 325	-	(5 325)	-
Subtotal	48 419 614	24 214 111	(34 892 751)	37 740 974
	48 419 614	24 214 111	(34 892 751)	37 740 974

Assets acquired through finance leases - 2016	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	178 849	-	(10 188)	168 661
Vehicles	10 562 746	62 474 056	(24 791 174)	48 245 628
Equipment	183 678	-	(178 353)	5 325
Subtotal	10 925 273	62 474 056	(24 979 715)	48 419 614
	10 925 273	62 474 056	(24 979 715)	48 419 614

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	11 709 643
West Rand District Municipality	-	70 535
Environmental Quality Management Grant	-	306 027
Department of Sports, Arts, Culture and Recreation	2 835 665	1 972 180
Financial Management Grant	66 976	-
Water Services Infrastructure Grant	5 352 289	-
Human Settlement Development Grant	596 840	-
	8 851 770	14 058 385

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15. Unspent conditional grants and receipts (continued)

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as "transfers" recognized revenue when the grant revenue has been "earned" by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of Circular 86 of the Municipal Finance Management Act No 56 of 2003, criteria for the roll-overs of unspent conditional grant funds and section 22 of the Division of Revenue Act.

See note 32 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	19 638 455	-	-	-	3 136 703	22 775 158
Bonus provision	15 272 550	6 689 542	(2 635 805)	(2 061 772)	-	17 264 515
	34 911 005	6 689 542	(2 635 805)	(2 061 772)	3 136 703	40 039 673

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	16 420 886	-	-	-	3 217 569	19 638 455
Bonus provision	14 084 708	5 959 456	(2 934 809)	(1 836 805)	-	15 272 550
	30 505 594	5 959 456	(2 934 809)	(1 836 805)	3 217 569	34 911 005
Non-current liabilities					22 775 158	19 638 455
Current liabilities					17 264 515	15 272 550
					40 039 673	34 911 005

In terms of the review performed by i@ Consulting which is independent from municipality, the provision required for restoration of the existing landfill sites is as follows:

1. The Luipaardsvlei Landfill Site is expected to continue to operate to 2018/19 financial year, with the restoration 2 years after closure which is expected in 2020 calendar year with the provision calculation only running out in the 2021 financial year which covers part of the 2020 calendar in any way. Sections of the new phase 4 were prepared in 2014/15 and are now being used.

2. The Magaliesburg Landfill Site is expected to continue to operate for another year to June 2018, with restoration 2 years after closure which is expected in the 2020 calendar year with the provision calculation only running out in the 2021 financial year which covers part of the 2020 calendar year.

3. Based on the above, and the prevailing discount rate of 11.5% (based on prime + 1%), the provisions at 30 June 2017 will be as follows:

a. Luipaardsvlei Landfill Site :R17 909 879

b. Magalies Landfill Site R4 865 279

Total Provision R22 775 158

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17. Financial liabilities by category		
2017		
	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 20)	106 222 935	106 222 935
Payables from exchange transactions(refer to note 19)	698 761 686	698 761 686
Payables from non-exchange transactions(refer to note 18)	89 034 175	89 034 175
Non current financial liabilities(refer to note 20)	370 947 768	370 947 768
Consumer deposits(refer to note 23)	57 440 779	57 440 779
Sundry deposits(refer to note 21)	11 332 528	11 332 528
Current and non current finance lease obligation(refer to note 14)	40 055 586	40 055 586
	1 373 795 457	1 373 795 457

2016

	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 20)	33 813 873	33 813 873
Payables from exchange transactions (refer to note 19)	587 209 198	587 209 198
Payables from non-exchange transactions(refer to note 18)	86 507 118	86 507 118
Non-Current financial liabilities(refer to note 20)	477 170 702	477 170 702
Consumer deposits(refer to note 23)	56 628 022	56 628 022
Sundry deposits(refer to note 21)	10 702 565	10 702 565
Current and non-current finance lease obligation (refer to note 14)	50 046 991	50 046 991
	1 302 078 469	1 302 078 469

18. Payables from non exchange transactions

Grants transferred to payables from non-exchange transactions	2 601 038	2 295 011
Credit balance transferred from receivables from non exchange	86 433 137	84 212 107
	89 034 175	86 507 118

The request for roll-over unspent on Human Settlement Grant was not approved by Gauteng Provincial Treasury. The amount of R2 295 010.54 was transferred to payables from non-exchange transactions.

The request for roll-over unspent on GDARD grant was not approved by Gauteng Provincial Treasury. The amount of R306 027.30 was transferred to payables from non-exchange transactions.

19. Payables from exchange transactions

Trade payables	554 184 452	447 251 721
Credit balance from other debtors	5 778 540	7 330 459
Third Party payments	1 609 703	3 479 874
Unpresented cheques	15 970 732	19 340 776
Receivables credit balances	-	5 396
Inventory in transit	4 550	44 242
Unallocated cash	964 156	964 156
Undistributed deposit	19 594 903	17 817 889
Retention	29 249 994	30 046 667
Overtime accrual	2 590 257	2 989 763
Insurance claim	-	(374 486)
Leave accrual	56 347 372	46 103 102
Bonus accrual	12 467 027	12 209 639
	698 761 686	587 209 198

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20. Financial liabilities		
At amortised cost		
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	199 865 321	215 961 857
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)	5 043 602	8 328 920
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)	1 042 526	1 766 130
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.		
ABSA	28 103 729	33 391 041
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	155 570 017	163 991 120
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.		
	477 170 703	510 984 576
Total financial liabilities	477 170 703	510 984 576
2017		
During the year under review Mogale City did not source financing.		
2016		
During the previous financial year, Mogale City did not source financing.		
Non-current liabilities		
At amortised cost	370 947 768	477 170 702
Current liabilities		
At amortised cost	106 222 935	33 813 873
21. Sundry deposits		
Services deposits	11 332 528	10 702 565
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
22. VAT receivable/payable (SARS)		
VAT receivable	37 795 632	18 319 931
VAT payable	-	-

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22. VAT receivable/payable (SARS) (continued)		
Reconciliation of VAT		
VAT Adjustments	87 877 615	65 511 999
VAT Output	(110 450 685)	(98 238 096)
VAT Input	59 873 948	51 046 028
	37 300 878	18 319 931

VAT is payable on the the cash basis which means that Output VAT is declared to SARS only when payment is received from debtors and Input Vat is claimed only when the municipality has paid its creditors. All VAT returns have been submitted by due date throughout the Financial year.

23. Consumer deposits

Electricity and water	57 440 779	56 628 022
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The above deposit represent Electricity & Water deposits as the current tariff structure do not permit individual deposit verification

24. Long term receivables

	2017			2016		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
Reconciliation of Non-Current Receivables						
Sundry loans	222 112	(222 112)	-	391 754	(391 754)	-
Stand and housing loans capital	2 998	(2 998)	-	234 079	(234 079)	-
	225 110	(225 110)	-	625 833	(625 833)	-

Non-current receivables impaired

As at 30 June 2017, the total long term receivables of R 225 110 (2016: R 625 833) were impaired.

The ageing of these receivables is as follows:

Current (0 - 30 days)	385	38
31 - 60 days	26	38
61 - 90 days	25	37
91 - 120 days	26	38
120+	224 648	625 682
	225 110	625 833

Reconciliation of provision for impairment of non-current receivables

Opening balance	625 832	667 362
Current year contribution/reversal	(400 722)	(41 530)
	225 110	625 832

25. Traffic fines

Traffic fines	8 520 375	135 658 401
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Revenue from traffic fines is recognised on the accrual basis. The municipality did not issue speed camera fines during this financial year.

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Figures in Rand	2017	2016
26. Service charges		
Sale of electricity	862 150 200	834 569 000
Sale of water	313 182 267	302 195 762
Sewerage and sanitation charges	160 152 468	136 170 233
Refuse removal	119 381 183	112 533 888
	1 454 866 118	1 385 468 883
27. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	2 809 820	2 757 047
Rental of sports grounds	73 065	56 622
Rental of laps and carports	83 380	78 376
Rental of halls	316 267	349 599
Other rentals	115 265	73 999
	3 397 797	3 315 643
28. Income from agency services		
Agency services	25 428 001	24 960 831

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.

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Figures in Rand	2017	2016
29. Other income		
Actuarial gains	20 498 227	19 978 364
Administration fees	317 236	286 253
Advertising	2 990 975	2 395 663
Application fees	496 404	562 020
Building plan fees	3 247 118	2 911 033
Bulk service connections	4 571 069	3 731 181
Cemetery fees	2 524 839	2 533 937
Contributions Developers	3 004 247	3 851 983
Insurance claims	1 063 889	164 024
Miscellaneous income	2 783 180	6 425 683
Services connections	6 990 093	7 920 737
Investment property fair value adjustment	15 288 111	-
Donations/Assets transferred (Assets aquired at no cost)	8 913 558	1 251 931
Fair value shares	43 334	(58 365)
Salaries recovered	481 440	-
DOE (Sanedi donation)	-	9 500 000
Seta training	-	526 029
DWS-AICP Donation	-	1 918 642
WRDM-MWIG	-	6 649 631
Housing Development Agency	23 954 854	56 488 222
Meter tampering - Water	582 291	-
	97 750 865	127 036 968

2017

Assets acquired at no costs & donations

There was an increase in the number of certain animals in the Game Reserve and these have been recorded as assets acquired at no cost. The main donation is in respect of electricity network substation which was built by the developer in Homes Haven and donated to the municipality.

2016

Transfer/Donation of an assets

Books donated by various individuals including companies. The number of animals increased due to production of different species.

Housing Development Agency

This is a funding agreement entered between Mogale City and Housing Development Agency (HDA) for the development of housing units at Kagiso Extension 13 in terms of the housing subsidy. This funding is not gazetted.

30. Interest and dividends received

Dividend received

Dividends	20 925	20 325
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Interest recieved

Interest received - Outstanding debtors	30 538 473	17 035 644
Interest on investment	12 840 590	14 355 856
Interest on favourable balances	785 040	990 931
	44 164 103	32 382 431
Total revenue from investments	44 185 028	32 402 756

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Figures in Rand	2017	2016
31. Property rates		
Rates received		
Residential	459 999 841	419 338 950
Commercial & Educational Institutions	230 252 264	216 609 342
Small holdings and farms	29 374 136	26 619 630
Less: Income forgone (Rebates)	(250 764 347)	(224 273 555)
	468 861 894	438 294 367
Penalties imposed	40 421 258	25 046 273
	509 283 152	463 340 640

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32. Government grants and subsidies		
Operating grants		
Equitable share	285 456 000	259 185 001
Municipal Infrastructure Grant	2 031 414	1 996 250
Expanded public works programme	1 089 000	1 265 999
GDARD	-	173 973
WRDM: HIV/AIDS Grant	3 084 820	2 908 051
Sport, Art, Culture and Recreation: Libraries funding	5 824 486	4 882 257
Municipal Systems Improvement Grant	-	960 550
Finance Management Grant	1 408 024	1 450 000
	298 893 744	272 822 081
Capital grants		
Department of Energy	-	448 092
Water Services Infrastructure Grant	14 647 711	-
Municipal Infrastructure Grant	99 419 229	85 144 109
Human Settlement Development Grant	19 403 160	-
Sport, Art, Culture and Recreation: Libraries funding	9 012 029	6 522 088
Neighbourhood Development Partnership Grant	-	60 230 000
	142 482 129	152 344 289
	441 375 873	425 166 370

Conditional grants

Included in above are the following conditional grants and subsidies received:

Conditional grants met

Finance Management Grant (FMG)	-	1 450 000
Municipal Systems Improvement Grant (MSIG)	-	960 550
Expanded Public Works Programme (EPWP)	1 089 000	1 266 000
Neighbourhood Development Partnership Grant (NDPG)	-	60 230 000
Municipal Infrastructure Grant (MIG)	101 450 643	-
Department of Energy	-	448 092
West Rand District Municipality (WRDM)	3 084 820	-
Conditions met - transferred to revenue	(105 624 463)	(64 354 642)
	-	-

2017

Conditional grants still to be met	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Transfers	Condition still to be met-transferred to liabilities
Water Services Infrastructure Grant (WSIG)	-	20 000 000	(14 647 711)	-	5 352 289
Finance Management Grant (FMG)	-	1 475 000	(1 408 024)	-	66 976
Department of Sports, Arts, Culture and Recreation (SRAC)	1 972 180	15 700 000	(14 836 515)	-	2 835 665
Department of Human Settlement	-	20 000 000	(19 403 160)	-	596 840
Municipal Infrastructure Grant (MIG)	11 709 643	93 514 000	(101 450 643)	(3 773 000)	-
	13 681 823	150 689 000	(151 746 053)	(3 773 000)	8 851 770

2016

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32. Government grants and subsidies (continued)

Conditional grants still to be met

	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue/ Corrections	Condition still to be met-transferred to liabilities
Municipal Infrastructure Grant (MIG)	-	98 850 000	(87 140 357)	11 709 643
Department of Sports, Arts, Culture and Recreation (SRAC)	676 525	12 700 000	(11 404 345)	1 972 180
West Rand District Municipality	76 959	2 901 627	(2 908 051)	70 535
Environmental Quality Management Grant (GDARD)	480 000	-	(173 973)	306 027
	1 233 484	114 451 627	(101 626 726)	14 058 385

Unspent Grants

During the current financial year Mogale City received a total of R450 227 642 for operational and capital grants. Mogale City managed to spend 98,03% of the total grants received amounting to R441 375 873.

The remaining 1,97% amounting to R8 851 770 relates to unspent grants which still needs to meet the conditions. Refer to note 15 for details on the unspent grants.

33. Employee related costs

Basic Salaries	386 131 716	354 083 484
Bonus	45 722 880	29 725 577
Medical aid - company contributions	26 780 228	24 737 407
UIF	2 833 867	2 769 242
Industrial Council Levy	159 057	153 465
Leave pay provision charge	4 350 068	1 935 276
Defined contribution plans (pension funds)	67 748 400	63 656 902
Overtime payments	37 999 977	36 618 067
Long-service awards	854 453	523 047
Acting allowances	5 301 931	3 955 434
Car allowance	44 618 202	41 645 301
Housing Subsidy	3 127 132	3 137 718
Section 57 Salaries	15 994 651	16 282 981
	641 622 562	579 223 901

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Figures in Rand	2017	2016
34. Remuneration of councillors		
Councillors		
Executive Mayor	871 999	954 792
Chief Whip	723 341	722 241
Speaker	734 750	768 753
MPAC	208 746	675 874
Mayoral committee members	6 325 047	7 163 436
Other councillors	20 305 516	16 405 111
	29 169 399	26 690 207
35. Depreciation and amortisation		
Intangible assets	6 150 951	6 912 776
Property, plant and equipment	275 768 189	233 192 553
	281 919 140	240 105 329
36. Impairment of Assets		
Property, plant and equipment	2 365	22 515 182
37. Finance costs		
Interest paid	55 853 151	39 232 014
38. Debt impairment		
Contributions to debt impairment provision	152 071 458	186 320 910
39. Collection cost		
Collection costs	35 246 880	40 759 981
40. Repairs and maintenance		
Other materials	85 263 319	58 957 287
Contracted Services	14 830 400	18 617 635
	100 093 719	77 574 922
All repairs and maintenance were incurred in respect of property, plant and equipment.		
41. Bulk purchases		
Electricity	660 789 776	586 231 529
Water	223 426 957	220 435 251
Sewer purification	5 592 290	3 553 819
	889 809 023	810 220 599

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41. Bulk purchases (continued)

2017

Electricity Losses

During the year under consideration Mogale City had unaccounted electricity of 10.09% 73,295,951.43kwh (8.69 %: 2016, 64,070,455.05kwh) . The total rand value of these losses were R 44,672,025.13 (R 37,421,201.68: 2016) .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 if it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tarrifs 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%.

The strategy / intervention that energy services section applied to curb high electricity losses for the financial year 2016/17 was as follows:

- The Installation and Monitoring of the Ripple Control System,
- Quarterly monitoring, physical inspections and sealing of prepayment meters,
- Reconnecting illegal connections at Pangoville area with the assistance from Public Safety and political intervention,
- Improving response time on replacing meters that not displaying consumption,
- Installation of Power Factor Corrections on our big substations,
- Installation of meters on streetlight controllers to monitor their consumption.

Electricity distribution losses 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.

2016

Electricity Losses

During the previous financial year Mogale City had unaccounted electricity of 8.69% 64,070,455.05kwh (7.72 %: 2015, 54,920,168.75kwh) . The total rand value of these losses were R 37,421,201.68 (R 29,423,925.44 : 2015) .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 if it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tarrifs 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.

2017

Water Losses

During the year under consideration Mogale City had unaccounted water of 24.93% (non-technical losses),9,859,269.93 kl. The total rand value of these non-technical losses were R74,577,124.43.

The Municipality continues to face major challenges in replacing and upgrading old and ageing infrastructure. The main challenge stems from lack of resources both financial and human resources to address the situation on the ground.

The past financial year, the department could not even replace a kilometre of the network owing to lack of capital budget allocation. Major inroads were made in dealing with large consumers within the City and this was achieved through the program of installing smart bulk meters and raising the buried meters so they can be read easily.

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41. Bulk purchases (continued)

The Water Conservation and Demand Management strategy will not make an impact unless sufficient resources are deployed. It is important for the City to consider alternative funding solutions such as ring fencing of the bulk development contributions, employing more competent personnel in the Water Section and provide the necessary tools and resources to address the water losses sufficiently.

During the year under review the technical losses which the municipality do not have control over was determined as 15%, 1,739,871.16 kl amounting to R13,159,504.99.

2016

Water Losses

During the previous financial year MCLM had unaccounted water of 26.10% (non-technical losses), 11,240,224.76 kl. The total rand value of these non-technical losses were R 75 974 416.21. This was mainly due to faulty meters, meter tampering straight pipes in some areas and leakages.

The Municipality is in the process of reducing non-technical losses through various interventions such as smart metering, leak detection and reduction in households water pressure management, metering of unmetered fire connections etc.

During the year under review the technical losses which the municipality do not have control over was determined as 15%, 1,983,569.08 kl amounting to R13,407,250.

42. Contracted services

Information Technology Services	5 660 868	21 940 034
Fleet Services	16 696 816	20 731 478
Rental and communication services	28 302 717	26 667 156
Consultant fees	5 770 958	4 260 116
Other Contractors (Security services, rental water tanks and rental chemical toilet, refuse removal)	161 348 186	170 323 258
	217 779 545	243 922 042

43. Grants and subsidies paid

Other subsidies

Other grants	1 682 427	1 899 167
Basic services (indigent subsidies)	56 589 162	64 672 390
Grants in aid	1 006 152	1 246 545
Grants discretionary	109 628	699 202
	59 387 369	68 517 304

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Figures in Rand	2017	2016
44. General expenses		
Actuarial losses	55 718	6 049 095
Advertising	729 618	656 605
Assessment rates & municipal charges	42 195 926	32 176 389
Audit committee remuneration	358 005	401 065
Bank charges	3 358 660	3 241 066
Internet fees	2 071 947	47 926
Settlement and legal fees	23 081 259	21 126 509
Consumables	994 831	1 178 103
Insurance	4 531 659	4 147 457
Bursary scheme/External	1 664 507	780 852
Conferences and seminars	926 913	486 436
Stores & Material	3 226 299	3 540 726
Magazines, books and periodicals	207 829	223 454
Fuel and oil	10 920 398	10 360 708
Postage and courier	3 962 808	4 714 219
Printing and stationery	2 286 178	2 272 292
Safety equipments/Protective clothing	750 969	146 741
Special Projects	8 449 309	31 542 546
License fees	6 041 258	4 502 017
COIDA	3 622 045	3 431 041
Refreshments general & meetings	470 416	1 991 268
Subscriptions and membership fees	5 911 317	6 265 758
Telephone and faxes	11 184 007	11 296 190
Training	1 537 780	2 234 262
Travel - local	986 854	1 475 263
Travel - overseas	-	376 503
Assets written off	12 834 911	5 032 443
Fair value adjustment	-	6 284 777
Purchases for consumption	6 990 579	5 068 065
Skills levy	5 336 414	4 927 688
6 kl free water to other residents	43 811 615	29 014 488
Public participation	1 180 893	2 037 989
Current service cost	12 839 012	12 623 110
Management fee:Game reserve	-	1 206 140
Other expenses	43 604 508	56 927 098
	266 124 442	277 786 289

Other Expenses

Item	Amount(R)
Interest cost (Employee benefit obligation)	20 289 634
Landfill site write down	3 136 703
Interest costs	2 844 255
Incubator program	1 900 000
Electrical prepaid connections	1 811 202
Electrical bulk connections	1 692 017
Electricity: Street lighting	1 172 510
Purchase & distribution of 240 litre bins	1 063 407

The remaining balance for other expenses includes small items

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45. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
ASSETS				
CURRENT ASSETS				
Inventories	15 138 072	64 067	-	15 202 139
Receivables from non-exchange transactions	158 786 370	-	-	158 786 370
Receivables from exchange transactions	327 477 744	(65 505 821)	-	261 971 923
Cash and cash equivalents	67 291 647	(1)	-	67 291 646
Operating lease asset	200 245	-	-	200 245
VAT receivable	-	18 319 931	-	18 319 931
	568 894 078	(47 121 824)	-	521 772 254
NON-CURRENT ASSETS				
Investment property	527 178 350	(40 465 203)	-	486 713 147
Property, plant and equipment	5 558 646 530	11 481 659	-	5 570 128 189
Intangible assets	17 660 156	(2 791 646)	-	14 868 510
Heritage assets	2 451 665	-	-	2 451 665
Financial assets	70 293 734	-	-	70 293 734
	6 176 230 435	(31 775 190)	-	6 144 455 245
Total Assets	6 745 124 513	(78 897 014)	-	6 666 227 499
LIABILITIES				
CURRENT LIABILITIES				
Employee benefit obligation	11 838 483	-	-	11 838 483
Finance lease obligation	20 262 230	-	-	20 262 230
Unspent conditional grants and receipts	14 485 070	(426 685)	-	14 058 385
Provisions	15 272 550	-	-	15 272 550
Payables from non-exchange transactions	86 507 118	-	-	86 507 118
Payables from exchange transactions	583 115 438	4 093 760	-	587 209 198
Financial liabilities	33 813 873	-	-	33 813 873
Sundry deposits	10 702 565	-	-	10 702 565
VAT payable	47 523 617	(47 523 617)	-	-
Consumer deposits	56 628 022	-	-	56 628 022
	880 148 966	(43 856 542)	-	836 292 424
NON-CURRENT LIABILITIES				
Employee benefit obligation	219 721 398	-	-	219 721 398
Finance lease obligation	29 784 761	-	-	29 784 761
Provisions	19 638 455	-	-	19 638 455
Financial liabilities	477 170 702	-	-	477 170 702
	746 315 316	-	-	746 315 316
TOTAL LIABILITIES	1 626 464 282	(43 856 542)	-	1 582 607 740
NET ASSETS	5 118 660 231	(35 040 472)	-	5 083 619 759

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45. Prior period errors (continued)

NET ASSETS

Social Responsibility Fund	12 659 572	-	-	12 659 572
Accumulated surplus	5 106 000 659	(35 040 472)	-	5 070 960 187
Total Net Assets	5 118 660 231	(35 040 472)	-	5 083 619 759

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45. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 385 468 883	-	-	1 385 468 883
Rental of facilities and equipment	3 315 643	-	-	3 315 643
Interest received - Outstanding debtors	17 035 644	-	-	17 035 644
Agency services	24 960 831	-	-	24 960 831
Licences and permits	28 004	-	-	28 004
Other income	127 036 968	-	-	127 036 968
Interest received - investment	15 346 787	-	-	15 346 787
Dividends received	20 325	-	-	20 325
Total revenue from exchange transactions	1 573 213 085	-	-	1 573 213 085
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	438 295 040	(673)	-	438 294 367
Property rates - penalties imposed	25 046 273	-	-	25 046 273
Transfer revenue				
Government grants & subsidies	424 739 685	426 685	-	425 166 370
Fines, Penalties and Forfeits	135 658 401	-	-	135 658 401
Total revenue from non-exchange transactions	1 023 739 399	426 012	-	1 024 165 411
Total revenue	2 596 952 484	426 012	-	2 597 378 496
Expenditure				
Employee related costs	(579 223 901)	-	-	(579 223 901)
Remuneration of councillors	(26 690 207)	-	-	(26 690 207)
Depreciation and amortisation	(237 045 580)	(3 059 749)	-	(240 105 329)
Impairment loss	(22 515 182)	-	-	(22 515 182)
Finance costs	(39 232 014)	-	-	(39 232 014)
Debt impairment	(186 320 910)	-	-	(186 320 910)
Collection costs	(40 759 981)	-	-	(40 759 981)
Repairs and maintenance	(77 079 923)	-	(494 999)	(77 574 922)
Bulk purchases	(807 589 020)	(2 631 579)	-	(810 220 599)
Contracted services	(243 139 189)	(782 853)	-	(243 922 042)
Grants and subsidies paid	(97 379 184)	28 861 880	-	(68 517 304)
General Expenses	(249 918 252)	(27 868 037)	-	(277 786 289)
Total expenditure	(2 606 893 343)	(5 480 338)	(494 999)	(2 612 868 680)
Operating deficit	(9 940 859)	(5 054 326)	(494 999)	(15 490 184)
Deficit for the year	(9 940 859)	(5 054 326)	(494 999)	(15 490 184)

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45. Prior period errors (continued)

Grants

The conditions met for Muldersdrift Park Development was not passed during the 2015/16 financial year as it was reported under own funds instead of MIG where it was budgeted for. The entry reduced the Unspent Grant on the face of the Statement of Financial Position and increased the transfer revenue (Government Grants and Subsidies) in the Statement of Financial Performance of the prior year.

Property, plant and equipment

Deletions are due to items of PPE not found on site and derecognition is regarding the land availability agreement which resulted in loss of control, the transaction increased the statement of financial performance (profit and loss account) and decreased the statement of financial position (Accumulated depreciation).

The prior year adjustments on work in progress were due to prior year capitalisation which increased the asset and decreased the WIP on the statement of financial position and increased depreciation expense on the statement of financial position. The review of useful life adjustment decreased the accumulated depreciation on the statement of financial position and increased the profit and loss account of the statement of comprehensive income.

Adjustments on animals increased the depreciation and increased the accumulated depreciation.

Library books prior adjustment relates to books that were over depreciated and also the review of books that have reached their useful life which decreased both the accumulated depreciation and the depreciation amount on the statement of financial performance.

Investment property

Investment property restatement is due to the loss of control due to sale of land and land extend changes, the statement of the financial position decreased on the asset and the profit and loss account decreased on the statement of financial performance. WIP restatement relates to reclassification of land from buildings to investment property.

Intangible assets

Intangible assets adjustment relates to review of useful life, which decreased accumulated depreciation (statement of financial position) and decreased depreciation amount on the statement of financial performance. Restatements on WIP is due to impairment of software, the effect on statement of financial position is decrease in WIP and the effect on statement of financial performance is an increase to impairment expense. The restatement also relates to prior year capitalisation which decreased WIP and increased accumulated impairment and amortisation on the statement of financial position, the effect on the statement of financial performance is an increase in amortisation expense.

Revenue

The provision for impairment of debtors was restated to account for impairment of output VAT owed by debtors for 120 days and above which in terms of the municipal accounting policy for impairment of debtors is considered to be impaired. The effect of this restatement is an increase in the provision for impairment of debtors and a decrease of Receivables from Exchange Transactions on the face of the Statement of the Financial Position. The Vat Payable amount on the Statement of Financial position has been decreased with this same amount.

VAT

The VAT amount was erroneously taken against the WIP instead of the VAT vote, the effect of the reversal resulted in an increase on the VAT and decreased on the WIP.

Payables from exchange transactions

There were three invoices that had to be reversed. One of the invoices had to be reversed due to an accrual that was not approved by the department, the other invoice was reversed due to duplicate processing and the last invoice was reversed because it was processed twice on the system. The effect of the reversals will result in a decrease on the Statement of financial Position and a decrease in the Statement of financial Performance.

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46. Cash generated from operations		
Deficit	(144 238 594)	(15 490 184)
Adjustments for:		
Depreciation and amortisation	281 919 140	240 105 329
Loss/(profit) on disposal of PPE	13 679 562	5 116 283
Assets acquired at no cost	(8 913 558)	(1 251 931)
Fair value adjustments	(15 288 111)	8 792 223
Employee benefits	(699 902)	3 358 802
Impairment of assets	2 365	22 515 182
Debt impairment	152 071 458	186 320 910
Operating lease	10 616	(8 248)
Movements in provisions	5 128 668	4 405 411
Other non-cash items	(96 220 731)	(61 589 851)
Changes in working capital:		
Inventories	(3 397 835)	(42 742)
Long term receivables	400 722	41 530
Receivables from non-exchange transactions	79 527 928	(50 908 527)
Receivables from exchange transactions	(113 778 842)	(128 914 735)
Payables from exchange transactions	114 991 798	149 970 909
VAT	2 893 851	(13 584 341)
Unspent conditional grants and receipts	(5 206 615)	12 346 260
Consumer deposits	812 757	6 086 249
Sundry deposits	629 963	111 980
Payables from non-exchange transactions	2 527 057	8 056 626
	266 851 697	375 437 135

Mogale City Local Municipality

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47. 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.

Statement of Financial Performance

Revenue

Service charges

These are service charges for the main services provided to the community by the municipality, the original budget was at R 1,472 billion, and was later revised to R 1,300 billion during adjustment, the actual billed revenue came to R 1.444 billion, this is 111% of the budget, when compared with the original budget it translates to 98%. The municipality based its revision on the billed revenue trend for the 6 months.

Licence and permits

The municipality received more income from licence and permits which are granted to small businesses as well as the hawkers. The increase in the numbers of small business activity within the boundaries of the municipality results in the increase on this revenue stream.

Other income

Income received on meter tempering charges as well as income received on assets acquired at no cost or donations of assets.

Interest received on investment

This is interest received on grant monies, short term investments & long term financial assets (Rand Merchant Bank), funds are invested periodically when not in use, and therefore the municipality earn interest thereon.

Dividends received

The performance of shares in the active market does not remain constant throughout the year, the value cannot be measured reliably at a specific point in time in the future.

Property rates

The billed revenue on this income item was revised from R 449 million to R 442 million during the adjustment period. The municipality billed R 468 million which comes to 111% of the adjusted budget, and 104% of the original. It is important to note that during the year properties will be re classified, and as well new developments takes effect, this has a bearing on the actual amount reported at the end of the financial year. The budget was revised based on the revenue trends for the first half of the year.

Penalties imposed

The variance is due to more income that the municipality received from reconnection of services for water and electricity due to meter tempering.

Fine, penalties and forfeits

This is because of more income that the municipality receive from reconnection of services for water and electricity due to meter tempering.

Other income

This revenue group collected on average of 51%, the municipality revise its annual budget based on the performance of revenue for the first six months of the year, and under this revenue class most of the line items under performed in the second half of the financial year. The budgets were revised upwards in anticipation of more revenue to flow, and in most of them less than 50% of the estimated revenue was collected. The following line items collected above average as compared to the others in the group

Tender deposits - 38%

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47. Budget differences (continued)

Special events – 30%

Photocopies and prints – 39%

Library fines – 28%

Salaries recovered – 33%

It should be noted that this are general income, and most of them are not statutory in nature, the municipality cannot enforce collection of the estimated revenue.

Expenditure

Depreciation and amortisation

Expenditure on this item is 9.6% more year on year comparison, this is as a result of more assets being capitalised, and on the other hand the budget is based on expenditure charged for the first half of the year, by implication it therefore becomes less than the budget. The challenge is to provide a closer estimate emanates from the fact that during the adjustment budget most of capital projects at best are 40% complete, and implementation thereof accelerates when it nears year end, at this time the adjustment budget estimates have been determined and approved.

Collection costs

This cost group comprises of the main line items and are as follows:

Third party collections – this is commission payable to third parties for the collection of billed revenue and prepaid services (water and electricity). This commission is a percentage of the sales amount, and also there are fees payable on the amount of transactions handled by the third parties. It is therefore reliant on the volume of transactions handled and the value of revenue collected, the over expenditure is therefore as a result of the increase on the two.

Revenue improvement - this expenditure is incurred as a commission on the amounts collected by debt collectors, therefore also reliant on the value collected. The over expenditure results from the increase in volume of the referrals to debt collectors.

Connections via contractor – commission paid to the service provider for the services rendered on actions taken by the municipality i.e. the number of notices issued and delivered, and also on disconnections and connections effected during the financial year. The over expenditure is as a result on the increase in the volume of actions taken by the municipality for the non- payment of services by the consumers.

Repairs and maintenance

The over expenditure under this item is mainly due to the ageing of the municipality's assets mostly in water networks, sanitation and waste water plant.

Transfers and subsidies

This is expenditure on grants paid by the municipalities, either or individuals or institutions, included in this are indigent subsidies. The under expenditure was as a result of a reclassification of a portion of expenditure from this item to general expenses. This re classification was as a result of a realisation that some of the expenditure charged under indigent subsidies are actually the cost of free basic water to residents within the boundaries of the municipality who are able to afford the services, this is as a result of the policy of the municipality that allows the first 6kl free to all its residents.

General expenses

The over expenditure is made up of total various line items in this class of expenditure. The item which contributed the highest percentage to this over expenditure is 6 kl free water to other residents who are not indigents. Other budget items which overspent on the approved budget are non-cash items such as municipal charges, landfill-site written down as well as municipal assets written off.

Capital Variances

Capital Grants has an expenditure variance of 5% comprised of:

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47. Budget differences (continued)

National Grants

Water Services Infrastructure Grant with an expenditure variance of 27%, this variance is due to the late appointment of contractor.

Provincial Grants

Sports, Recreation, Arts and Culture with an expenditure variance of 7%, this variance is due to: Late appointment of contractor

Delay in the supply chain processes

Savings on projects

Internally generated funds has an expenditure variance of 33% comprised of:

Own Funding with an expenditure variance of 18%, this variance is due to cash flow problems experienced by the Municipality during the financial year.

Housing Development Agency with an expenditure variance of 59%, this variance is due to:

Nonpayment of contractor due to delay in the approval of the adjustment budget

Delays caused by dispute issues between main contractor and the appointment of local subcontractor

Mogale City Local Municipality

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48. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	62 373 564	159 662 214
• Community	62 696 661	7 370 632
	125 070 225	167 032 846

Authorised operational expenditure

Approved

• Operational expenditure	71 216 768	26 836 787
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Capital commitments represents future capital expenditure. The municipality has the obligation to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework.

As and when contracts

The municipality has 23 contracts that are on an as and when basis. The contracts expenditure amount to R86 692 070: 2017, R81 158 295:2016 and R36 399 931:2015 out of the total amount contracted of R262 796 315. The contracts remain available as at the end of the financial year. The available amount of R58 546 020 is not the actual obligations that are attached to the contracts. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality so the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 70 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R519 768 792.

Deviations

During the year under review Mogale City Local Municipality deviated a total amount of R80 678 641, see note 55. The total deviations were declared as irregular expenditure, see note 51.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	5 743 124	2 174 003
- in second to fifth year inclusive	4 428 172	279 562
	10 171 296	2 453 565

Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles and cellphones. 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 at prime lending rate per annum. No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	1 151 970	1 187 226
- in second to fifth year inclusive	2 155 212	2 806 615
- later than five years	969 916	1 416 673
	4 277 098	5 410 514

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.

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Figures in Rand	2017	2016
49. Contingencies		
Contingent liabilities		
	-	-
Contingent liabilities		
Aloecap (Pty)Ltd The Service Provider is suing the Municipality for breach of contract in that the contract was cancelled without proper notice	-	2 500 000
V Venter Traffic Vehicle of the Municipality collided with the plainteff's vehicle and he is claiming for damages	22 000	22 000
Chabano Trading Consultant The Plaintiff alleges that the Municipality has unlawfully terminated the contract.	1 167 770	1 167 770
Ndumo Group Resources CC The service provider is suing the municipality for services rendered.	1 340 217	-
Khalipha Entertainment MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.	1 799 490	1 799 490
Madelein van Rooyen The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe	107 069	107 069
Lefatshe Security Services (PTY) LTD The service provider is suing the Municipality for breach of contract.	7 938 183	7 938 183
Quill Associates (PTY) LTD The service provider is suing the Municipality for breach of contract.	-	376 200
YYY Trading The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate.	71 000	-
AJ Monthe The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate	23 000	-
Abram Mpalane & others the plaintiffs are claiming for damages for injuries alleging that they were assaulted by the municipalities security personnel and Red Ants.	3 500 000	-
Subtotal	15 968 729	13 910 712
Category B		
	-	-
Labour Matters		
Deputy Directors 1) S.Makgatla 2) L. Tshoane 3) N. Mabunda 4) A. Maswanganyi 5) T Mathye 6) J Nkhumane The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent.	1 480 000	1 480 000
Murray & Ors The employee alleges that they did not receive notches 168 Employees Matter is still pending settlement negotiations underway and provision of additional information from finance and IMATU	-	3 000 000
Colbert Mphaphuli Unfair Labour practise	328 200	328 200
Victor Tafu The employee alleges he was unfairly dismissed	480 753	480 753
Subtotal	2 288 953	5 288 953
	18 257 682	19 199 665

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49. Contingencies (continued)

Contingent assets

Outstanding Legal Matters

I Van Wyk The Municipality is suing the Defendant for outstanding rates and taxes.	45 000	45 000
Khaba B The municipality is suing for damages as a result of alleged fraud by the defendant.	42 000	42 000
Willturnerkey Construction The Municipality erroneously overpaid Willturner Key Construction.	317 000	317 000
Naledi Plant Hire The Municipality filed a counter claim for overpayment to Naledi Plant Hire.	813 247	813 247
Khalipha Entertainment MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.	-	1 800 000
Khalipha Entertainment Part A MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.	2 085 212	-
Khalipha Entertainment Part B MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.	1 600 000	-
African Bush Adventures The municipality cancelled the contract in a process of recovering the outstanding rates and taxes payments.	1 700 000	1 700 000
Game Reserve Lodge The municipality is suing for outstanding rental payments of the leased premises.	180 000	180 000
Lefatshe Security Services (PTY) LTD The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.	8 062 493	8 062 493
Subtotal	14 844 952	12 959 740

Mogale City Local Municipality

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50. Related parties

Relationships

Political Office Bearers comprise of:

Executive Mayor

Chief Whip
Speaker

MPAC

Councillors (MMC)

Cllr K.C Seerane (Term expired)
Cllr L.C. Pannall (Resigned)
Cllr M. Hostenstein (Vote of no confidence)
Cllr P.N. Lipudi
Cllr S. Dube
Cllr S.M Thupane (Deceased)
Cllr P.N. Lipudi (Elected as a Mayor)
Cllr N.C. Mangole
Cllr M.A Mdzeke (Term expired)
Cllr A de Lange
Cllr F.O Bhayat (Term expired)
Cllr K.A Setswalo-Moja (Term expired)
Cllr B. Friedman (Term expired)
Cllr M.A Mathibe (Term expired)
Cllr S. Letsie (Term expired)
Cllr M. Khuzwayo(Term expired)
Cllr E. Mathe (Term expired)
Cllr N.C Mangole (Term expired)
Cllr N. Kufa (Term expired)
Cllr N.E Mdlulwa (Term expired)
Cllr C.J. Van Der Westhuizen (Committee dissolved)
Cllr M. Mohube (Committee dissolved)
Cllr J. Pannall (Committee dissolved)
Cllr B. Nkosi (Committee dissolved)
Cllr A. Fourie (Committee dissolved)
Cllr T. Mokoena (Committee dissolved)
Cllr J. Hoon (Committee dissolved)
Cllr E. Modise (Committee dissolved)
Cllr T. Steenkamp (Committee dissolved)
Cllr J. Holtzhauzen (Committee dissolved)
Cllr P. Molapo
Cllr N. Sedumedi
Cllr B Mdlane
Cllr P. Moeketsi
Cllr F Chohledi
Cllr E Cindi
Cllr C Ntlatlane-Zwane
Cllr L. Resha
Cllr K.A Setswalo-Moja
Cllr M. Khuzwayo
Other part time councillors
Mr D.M Mashitisho (Term expired)
Mr M.P. Raedani
Mr L.M.E Mahuma (Term expired)
Mr D.C Ngutshana
Ms S. Mathebula (Term expired)
Mrs R. Mokebe (Term expired)
Mr B. Seopasengwe (Term expired)
Ms M. Mokoena (Term expired)
Mr M. Msezana
Mr SH Mbanjwa (Acting)
Mr A. Mbulawa (Term expired)
Ms B. Monkwe (Acting)
Mr J Baloyi (Acting)
Mr F. Le Roux (Acting)
Ms S. Mdlalose (Acting)
Mr R. Ramathape

Accounting Officer

Members of key management

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50. Related parties (continued)

Remuneration of management

Mayoral committee members

2017

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor KC Seerane (Term expired)	84 786	3 097	387	5 576	9 469	103 315
Executive Mayor LC Pannall (Resigned)	195 555	5 554	958	73 186	24 111	299 364
Executive Mayor M Holenstein (vote of no confidence)	290 926	14 450	1 742	111 522	49 280	467 920
Executive Mayor PN Lipudi	1 002	-	-	384	14	1 400
Chief Whip SI Dube	436 337	22 753	3 600	173 023	87 648	723 361
Speaker SM Thupane (Deceased)	52 214	2 905	387	19 826	7 827	83 159
Speaker PN Lipudi (Elected as a Mayor)	400 831	24 340	3 000	153 652	65 943	647 766
Speaker NC Mangole	2 438	50	-	934	404	3 826
Section 79 Chair Person MA Mdzeke (Term expired)	48 864	2 452	387	18 042	5 766	75 511
Section 79 Chair Person A De Lange	81 415	5 410	600	30 280	15 530	133 235
MMC: Economic Services M Khuzwayo (Term expired)	48 454	2 243	387	18 587	7 586	77 257
MMC: Public Safety						

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50. Related parties (continued)

NE Mdlulwa (Term expired)	48 872	2 451	387	18 587	7 416	77 713
MMC: Finance						
FO Bhayat (Term expired)	50 124	2 243	387	18 587	6 350	77 691
MMC: Roads & Transport						
BH Friedman (Term expired)	50 124	2 451	387	18 587	6 177	77 726
MMC: Intergrated Environment Management						
NC Mangole (Term expired)	49 706	2 244	387	18 587	6 346	77 270
MMC: Corporate Support Services						
MA Mathibe (Term expired)	50 124	2 452	387	18 587	6 177	77 727
MMC: Infrastructure Services						
SD Letsie (Term expired)	48 871	2 244	387	18 587	7 417	77 506
MMC: Human Settlement & Rural Development						
AK Setswalo-Moja (Term expired)	48 454	2 243	387	18 587	7 586	77 257
MMC: Health & Social Services						
ME Mathe (Term expired)	48 872	2 451	387	18 587	7 432	77 729
MMC: Sports & Recreation						
N Kufa (Term expired)	48 872	2 451	387	18 587	7 417	77 714
MMC: Economic Services						
C.J van der Westhuizen (Committee dissolved)	345 716	17 480	2 760	132 525	50 138	548 619
MMC: Public Safety						
T Steenkamp (Committee dissolved)	346 897	17 480	2 760	132 525	55 172	554 834
MMC: Finance						
J Holtzhauzen (Committee dissolved)	345 716	17 480	2 760	132 525	50 189	548 670
MMC: Roads & Transport						
E Modise (Committee dissolved)	335 405	17 802	2 760	132 987	65 631	554 585
MMC: Intergrated Environment Management						
A Fourie (Committee dissolved)	346 925	17 802	2 760	132 987	55 882	556 356
MMC: Corporate Support Services						
J Pannall (Committee dissolved)	335 405	17 802	2 760	132 987	65 631	554 585
MMC: Infrastructure Services						
J Hoon (Committee dissolved)	346 925	17 802	2 760	132 987	55 916	556 390
MMC: Human Settlement & Rural Development						
B Nkosi (Committee dissolved)	345 717	17 480	2 760	132 525	50 138	548 620
MMC: Health & Social Services						
M Mohube (Committee dissolved)	346 925	17 802	2 760	132 987	55 916	556 390

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50. Related parties (continued)

MMC: Sports & Recreation

T Mokoena (Committee dissolved)	345 716	17 480	2 760	132 525	50 138	548 619
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MMC: Health & Social Services

NE Cindi	1 458	127	20	559	-	2 164
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MMC: Intergrated Environment Management

MF Chohledi	1 458	127	20	559	16	2 180
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MMC: Sports & Recreation

CM Ntlantlane	1 458	127	20	559	16	2 180
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MMC: LED & Rural Development

PT Molapo	1 458	127	20	559	16	2 180
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MMC: Finance

NM Sedumedi	1 458	127	20	559	16	2 180
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MMC: Roads & Transport

MB Mdlane	1 458	127	20	559	16	2 180
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MMC: Corporate Support Services

TP Moeketsi	1 458	127	20	559	16	2 180
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MMC: Public Safety

LS Resha	1 458	127	20	559	16	2 180
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MMC: Infrastructure Services

M Khuzwayo	1 458	127	20	559	-	2 164
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MMC: Human Settlement

AK Setswalo-Moja	1 458	127	20	559	16	2 180
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	5 542 768	282 164	42 731	2 105 445	890 775	8 863 883
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2016

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
KC Seerane Chief Whip	816 699	20 868	3 600	-	113 625	954 792
SL Dube	435 909	20 868	3 600	172 858	89 006	722 241

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50. Related parties (continued)

Speaker

SM Thupane	465 971	20 868	3 600	184 383	93 931	768 753
Section 79 Chair Person						
MA Mdzeke	420 873	20 868	3 600	161 335	69 198	675 874
MMC Economic Services						
M Khuzwayo	435 909	20 868	3 600	172 858	88 999	722 234
MMC Public Safety						
NE Mdlulwa	435 909	20 868	3 600	172 858	88 999	722 234
MMC Finance						
FO Bhayat	505 550	20 868	3 600	118 243	74 123	722 384
MMC Roads and transport						
BH Friedman	450 935	20 868	3 600	172 858	74 123	722 384
MMC Environmental Management						
NC Mangole	450 935	20 868	3 600	172 858	74 123	722 384
MMC Corporate Support Services						
MA Mathibe	450 935	20 868	3 600	172 858	74 123	722 384
MMC Infrastructure Services						
SD Letsie	435 909	20 868	3 600	172 858	88 999	722 234
MMC Human Settlement & Rural Development						
AK Setswalo-Moja	435 909	20 868	3 600	172 858	88 999	722 234
MMC Health & Social Services						
ME Mathe	435 909	20 868	3 600	172 858	88 999	722 234
MMC Sports & Recreation						
N Kufa	435 909	20 868	3 600	172 858	88 999	722 234
	6 613 261	292 152	50 400	2 192 541	1 196 246	10 344 600

Councillors/Mayoral committee members

2017

Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
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50. Related parties (continued)

Name						
Full time councillors	5 542 768	282 164	42 731	2 105 445	890 775	8 863 883
Part time councillors	11 946 727	1 451 657	229 377	4 597 249	2 080 506	20 305 516
	17 489 495	1 733 821	272 108	6 702 694	2 971 281	29 169 399

2016

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
Full time councillors	6 613 257	2 192 542	292 152	1 196 243	50 400	10 344 594
Part time councillors	9 383 604	3 712 236	1 118 031	1 938 867	192 875	16 345 613
	15 996 861	5 904 778	1 410 183	3 135 110	243 275	26 690 207

Executive management

2017

	Annual Remuneration	Performance Bonus	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager DM Mashitsho (Contract expired 31 October 2016)	606 796	182 146	336 147	-	48 000	46 284	1 219 373
Municipal Manager MP Raedani	548 997	-	-	-	37 500	96 822	683 319
Chief Financial Officer Leslie Mahuma (Contract expired 28 February 2017)	923 890	179 962	169 172	-	160 000	70 543	1 503 567
Chief Operating Officer As Mbulawa (Contract expired 31 May 2017)	1 370 178	104 978	-	-	110 000	144 281	1 729 437

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50. Related parties (continued)

Social Services

ST Mathebula (Contract expired 28 February 2017)	912 071	133 900	197 178	-	125 000	32 219	1 400 368
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Environmental Management

MN Mokoena (Contract expired 28 February 2017)	907 253	93 730	240 932	-	54 326	69 295	1 365 536
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Political Office

LR Seoposengwe (Contract expired 28 February 2017)	961 383	-	265 643	36 989	90 000	108 174	1 462 189
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Corporate Services

R Mokebe (Contract expired 28 February 2017)	909 623	160 680	166 799	-	120 000	1 251	1 358 353
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Chief Audit Executive

CD Ngutshana	1 426 393	160 680	-	-	72 000	45 940	1 705 013
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Economic Services

MA Msezana	1 544 435	-	-	-	-	1 877	1 546 312
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Infrastructure Services

SH Mbanjwa	409 496	-	-	-	-	25 090	434 586
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Executive Manager: Corporate Support Services

TRR Ramatlhape	70 069	-	-	-	-	156	70 225
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Acting Chief Financial Officer

BV Monkwe	341 148	-	-	-	-	19 911	361 059
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Acting Executive Manager Corporate Support Services

J Baloyi	348 566	-	-	-	-	22 196	370 762
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Acting Executive Manager: Social Services

CF LE Roux	392 778	-	-	-	-	595	393 373
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Acting Executive Manager: Environmental Management

SP Mdlalose	390 587	-	-	-	-	595	391 182
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	12 063 663	1 016 076	1 375 871	36 989	816 826	685 229	15 994 654
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2016

Name	Annual Remuneration	Performance Bonus	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
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50. Related parties (continued)

DM Mashitsho	1 673 947	218 038	144 000	127 419	2 163 404
Chief Financial Office					
LME Mahuma	1 265 265	179 520	240 000	96 767	1 781 552
Chief Operating Officer					
AS Mbulawa	1 335 412	179 520	120 000	146 619	1 781 551
Social Services					
ST Mathebula	1 204 796	160 285	187 500	46 410	1 598 991
Environmental Management					
MN Mokoena	1 253 228	123 296	81 489	95 864	1 553 877
Political Office					
LR Seoposengwe	1 175 923	-	120 000	134 658	1 430 581
Corporate Services					
R Mokebe	1 266 480	123 296	180 000	1 872	1 571 648
Chief Audit Executive					
CD Ngutshana	1 313 863	160 285	72 000	41 392	1 587 540
Infrastructure Services					
SH Mbanjwa	1 162 677	111 457	-	108 584	1 382 718
Infrastructure Services					
MD Mokotedi (Resigned 30/11/14)	-	41 641	-	-	41 641
Economic Services					
MA Msezana	1 428 709	-	-	1 872	1 430 581
Economic Services					
MM Thelejane (Resigned 30/04/14)	-	36 989	-	-	36 989
	13 080 300	1 334 327	1 144 989	801 457	16 361 073

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51. Unauthorised, Irregular, Fruitless and Wasteful expenditure

Unauthorised expenditure

Opening balance	-	-
Unauthorised Expenditure - current year	64 387 390	-
Closing balance	64 387 390	-

Irregular expenditure

Opening balance	110 876 986	-
Irregular Expenditure - current year	102 049 730	110 876 986
Closing balance	212 926 716	110 876 986

Fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure -current year	18 725 070	4 356 645
Less: Expenditure written off by Council	-	(4 356 645)
Closing balance	18 725 070	-

2017

Unauthorised Expenditure

There is unauthorised expenditure during the year under review amounting to R64 387 390.

Irregular Expenditure

Opening balance (Management have appointed a law firm to investigate all irregular expenditure during 2015/16 financial year during the preparation of 2016/2017 annual financial statements the investigation was still ongoing and also council has referred the matter to MPAC for oversight during the council meeting on the 30 August 2017).

The municipality incurred irregular expenditure during the year under review which are mostly the deviation payments made on contracts and to services procured without following the correct supply chain management procedures. The total irregular expenditure incurred is R 102 049 730 for 2016/17 Financial Year.

Fruitless and Wasteful Expenditure

The municipality incurred fruitless and wasteful expenditure during the year under review for the interest paid on Bulk Purchases (for Eskom and Rand Water). Eskom has charged R 18 408 545 and Rand Water has charged R 316 616 in interest charges for the 2016/17 financial year; totalling to R 18 725 070. The delay in these payments is due to the unfavourable payment terms of Eskom; the current instability of the South African economy; and poor debt collections. Council has approved the write-off of the entire expense.

2016

Unauthorised Expenditure

There was no unauthorised expenditure during the previous financial year.

Irregular Expenditure

The municipality incurred irregular expenditure during the previous financial year due to some of the deviations approved by the Municipal Manager and noted by Council.

Fruitless and Wasteful Expenditure

The municipality incurred fruitless and wasteful expenditure during the year under review for the writing off of interest paid on Bulk Purchases and on a redemption payment for the financial year ended 30 June 2016. The reasons for the late payments of Bulk Purchases are mainly due to the slow decline in the South African economy resulting in poor debtor collections and payments. This has given rise to a reduction in Revenue received and therefore resulted in cash flow constraints. DBSA has levied an amount of R933.32 interest due to an external long term loan redemption payment that was due on 31 August 2015. Rand Water has raised interest of R 80 334.36 on bulk water purchases of R236 805 099.11. Eskom has charged the Municipality on a total amount of interest of R4 275 377.11 on bulk electricity purchases of R667 618 549.78. The fruitless expenditure was condoned by council on the 27 July 2016, Item K(ii) 14(07/2016).

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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to South African Local Government Association

Current year subscription / fee	7 228 392	6 278 936
Amount paid - current year	-	(5 969 688)
Credit received - Per prior year claim or Discount on early payment	(219 763)	(309 248)
	7 008 629	-

Audit fees

Current year subscription / fee	3 939 903	3 783 432
Amount paid - current year	(3 939 903)	(3 783 432)
	-	-

PAYE and UIF

Opening balance	7 572 901	6 549 372
Current year subscription / fee	105 650 437	92 182 281
Amount paid - current year	(97 659 872)	(84 609 380)
Amount paid - previous years	(7 572 902)	(6 549 372)
	7 990 564	7 572 901

Pension and Medical Aid Deductions

Opening balance	11 679 531	-
Current year subscription / fee	142 373 362	145 544 176
Amount paid - current year	(141 703 395)	(133 864 645)
	12 349 498	11 679 531

Councillors arrear consumer accounts

30 June 2017

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S Govinsamy	8 327	-	8 327
L Modisane	101	4 810	4 911
ZW Maguire	3 703	1 976	5 679
V Khumalo	1 145	-	1 145
LC Pannall	2	-	2
T Steenkamp	2 127	-	2 127
N Nkatu	2 360	83 989	86 349
I Mangole	1 951	41 478	43 429
S Mkhumbeni	1 979	11 896	13 875
CJ Van Der Westhuizen	1 269	8 684	9 953
S Silaule	10 389	-	10 389
MB Mdlane	1 125	2 308	3 433
JJ Holtzhausen	2 867	-	2 867
GI Moilwanyane	9 120	-	9 120
	46 465	155 141	201 606

2017

During the year the following Councillors: N Nkatu, L Modisane, ZW Maguire, I Mangole, S Mkhumbeni, CJ van der Westhuizen and MB Mdlane had arrear accounts outstanding for more than 90 days.

2016

During the previous financial year the municipality had no arrear accounts outstanding for more than 90 days.

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53. Audit committee remuneration

Fees	358 005	401 065
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54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	477 170 703	510 984 575
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

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55. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

As per the MCLM tender vetting report:

1. There are no directors of companies that submitted tenders that are employees at Mogale City.
2. There was one employee that is registered as consumer on Mogale's database.
3. There were three employees that have a telephone number listed that is linked to a consumer on Mogale's database.

Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36 (1)(a)(i): Emergency situation	-
Section 36 (1)(a)(ii): Sole service provider	192 708
Section 36 (1)(a)(v): Impossible/Impractical to follow official procurement process	4 847 843
	5 040 551

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K (ii) 5(04/2017)	Padlocks for Mogale City -ASSA ABLOY Electrical Distribution Network		Section 36(1)(a)(ii): Sole Service Provider	192 708
K (ii) 10(10/2016)	Supply, install and commissioning of Meter Data Management System (MDMS) for smart meters for MCLM	Veritas Engineering & Project Management Consultants	Section 36(1)(a)(v): Impractical to follow the normal SCM process	4 672 277
K (ii) 10(10/2016)	Repair the VSD (Verible Speed Drive) at Percy Stewart water care works	Schneider Electric	Section 36(1)(a)(v): Impractical to follow the normal SCM process	34 207
K (ii) 5(08/2017)	Request to extend the contract between Mogale City Local municipality and Powercom metering JV Mpande business Enterprise (Pty)Ltd to complete the deployment of Smart Grids Back Office System for Mogale City Municipality	Powercom metering Africa JV Mpande Business Enterprise (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	117 818
K (ii) 5(08/2017)	Service and calibrate miltron device at licencing vehicle testing station (VTS)	Work Shop Electronics	Section 36(1)(a)(v): Impractical to follow the normal SCM process	23 541
				5 040 551

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2016

During the year 2016 the deviation were amounting to R356 727 085 below is the information:

Section 36 (1)(a)(i): Emergency situation	R129 489 531
Section 36 (1)(a)(ii): Sole service provider	R26 579 705
Section 6 (1)(a)(v): Impossible/Impractical to follow official procurement process	R200 657 849

56. Risk management

In rendering service delivery the Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has an approved risk management Framework and Policy, Risk Management Implementation plan and Risk Management Committee Charter. The Risk Management Framework and policy is reviewed once in two years. Mogale City Local Municipality established a Risk Management Committee and Risk Management Champions Committee. An independent chairperson has been appointed to chair the Risk Management Committee which includes heads of key officials. The Risk Management Committee is responsible for monitoring mitigation actions.

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 20, 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%.

The gearing ratio for the 2016/17 financial year is 8%

The results of the gearing ratio as calculated in the 2016/17 financial year indicates that the Municipality is 'over in-debted'. The Municipality has put the following measures in place to improve the gearing ratio:

1. Implementation of a Cash Flow Turn around strategy
2. Review of the Credit Control policy of the municipality to ensure enhanced debt collection
3. The Municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

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	40 055 586	50 046 991
Other financial liabilities	20	477 170 703	510 984 575
		517 226 289	561 031 566
Less: Cash and cash equivalents	5	44 749 336	67 291 646
Net debt		472 476 953	493 739 920

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56. Risk management (continued)

Total equity	4 942 820 475	5 083 619 759
Total capital	5 415 297 428	5 577 359 679

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. Refer to note 11.

Liquidity risk

Liquidity risk is the risk that the municipality might not be able to meet its obligations as they fall due. 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.

At 30 June 2017

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Borrowings - Capital repayments	106 222 935	145 854 337	225 093 430	477 170 702
Borrowings - Interest	48 466 912	118 133 387	72 888 074	239 488 374
Trade and other payables	787 795 861	-	-	-

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.

Fair value interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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.

Financial instrument

	2017	2016
Financial assets	80 306 799	70 293 734
Receivables from non-exchange transactions	173 662 857	158 786 370
Receivables from exchange transactions	201 909 782	261 971 923
Call accounts money market accounts	30 265 665	41 173 489
Cash and cash equivalents	14 486 709	26 118 157

57. Borrowing cost

Borrowing Cost Capitalized

	2017	2016
Opening Balance	30 096 459	10 255 347
Capitalized during the year	-	19 841 202
	30 096 459	30 096 549

58. Events after the reporting date

Mogale City Local Municipality did not have any events after the reporting date of the financial year.

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2016

59. Change in estimate

Property, plant and equipment

During the 2016/17 financial year, a review of the useful lives of assets was done and the change in accounting estimate resulted in a decrease in depreciation. The effect of this revision has decreased the depreciation charges for the current periods by R 7 428 286.