



# MAKANA

MUNICIPALITY | EASTERN CAPE

**...a great place to be**

Makana Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

These annual financial statements were prepared by:  
Ms JRB Khumalo  
Acting Chief Financial Officer

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Mayoral committee

Executive Mayor

Cllr Z J Peter  
Cllr P Ranchhod  
Cllr N Gaga  
Cllr MPG Notyawa

Councillors

Cllr N Masoma  
Cllr M Matyumza  
Cllr R M Madinda-Isaac  
Cllr N Ngoqo  
Cllr BW Fargher  
Cllr M Gojela  
Cllr BPN Jackson  
Cllr MM Khubalo  
Cllr VC Kolisi  
Cllr E Louw  
Cllr MG Madinda  
Cllr XG Madyo  
Cllr L May  
Cllr N Meti  
Cllr TC Ngeleza  
Cllr B Bonani  
Cllr NR Plaatjie  
Cllr LM Reynolds  
Cllr MS Tame  
Cllr NC Tyantsula  
Cllr JC Wells  
Cllr K Jela  
Cllr MC Booyesen

**Grading of local authority**

Category B

**Acting Chief Finance Officer (CFO)**

JRB Khumalo

**Acting Municipal Manager:**

Ms MJ Meiring

**Registered office**

City Hall  
86 High Street  
Grahamstown  
6139

**Postal address**

P O Box 176  
Grahamstown  
6140

**Auditors**

Chartered Accountants (S.A.)

**Preparer**

The annual financial statements were internally compiled by:  
Ms JRB Khumalo  
Acting Chief Financial Officer

## Index

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# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

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

| <b>Index</b>   | <b>Page</b> |
|--|-------------|
| Accounting Officer's Responsibilities and Approval   | 4           |
| Statement of Financial Position  | 6           |
| Statement of Changes in Net Assets   | 8           |
| Statement of Financial Performance   | 7           |
| Cash Flow Statement  | 9           |
| Appropriation Statement  | 10 - 11     |
| Accounting Policies  | 12 - 43     |
| Notes to the Annual Financial Statements   | 43 - 78     |
| Appendixes:  |             |
| Appendix A: Schedule of External loans   | 79          |
| Appendix B: Analysis of Property, Plant and Equipment  | 80          |
| Appendix C: Segmental analysis of Property, Plant and Equipment                                    | 83          |
| Appendix D: Segmental Statement of Financial Performance   | 84          |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure)                                      | 85          |
| Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act    | 86          |
| Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification) | 87          |
| Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)          | 89          |
| Appendix G(3): Budgeted Financial Performance (revenue and expenditure)                            | 90          |
| Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding           | 92          |
| Appendix G(5): Budgeted Cash Flows   | 94          |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Index

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### Abbreviations

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, she is not satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Makana municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements which have been prepared on the going-concern basis, were signed on the municipality's behalf by:

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**Ms MJ Meiring**  
**Acting Municipal Manager**



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

|  | Note(s) | 2015<br>R                   | 2014<br>Restated*<br>R      |
|--|---------|-----------------------------|-----------------------------|
| <b>Assets</b>                              |         |                             |                             |
| <b>Current Assets</b>                      |         |                             |                             |
| Inventories                                | 3       | 15 542 194                  | 13 121 991                  |
| Finance lease receivables                  |         | -                           | 121 600                     |
| Consumer debtors                           | 5       | 174 750 162                 | 129 572 371                 |
| Receivables from exchange transactions     | 4       | 2 499 663                   | 6 375 986                   |
| Receivables from non-exchange transactions | 6       | 46 606 383                  | 32 113 720                  |
| Cash and cash equivalents                  | 7       | 18 178 425                  | 2 029 895                   |
| Operating lease asset                      | 8       | 28 009                      | 28 525                      |
|  |         | <b><u>257 604 836</u></b>   | <b><u>183 364 088</u></b>   |
| <b>Non-Current Assets</b>                  |         |                             |                             |
| Investment property                        | 12      | 190 233 500                 | 201 302 330                 |
| Property, plant and equipment              | 9       | 852 541 846                 | 805 947 213                 |
| Intangible assets                          | 10      | 706 714                     | 948 306                     |
| Heritage assets                            | 11      | 29 008 049                  | 28 931 049                  |
| Investment                                 | 13      | 141 719                     | 161 477                     |
|  |         | <b><u>1 072 631 828</u></b> | <b><u>1 037 290 375</u></b> |
| <b>Total Assets</b>                        |         | <b><u>1 330 236 664</u></b> | <b><u>1 220 654 463</u></b> |
| <b>Liabilities</b>                         |         |                             |                             |
| <b>Current Liabilities</b>                 |         |                             |                             |
| Consumer deposits                          | 14      | 2 321 154                   | 2 297 709                   |
| Provisions                                 | 15      | 3 878 560                   | 3 844 802                   |
| Other financial liabilities                | 20      | 4 127 932                   | 4 009 820                   |
| Payables from exchange transactions        | 16      | 177 994 210                 | 42 726 633                  |
| Payables from non- exchange transactions   | 17      | 32 680 011                  | 26 707 226                  |
| Unspent conditional grants and receipts    | 18      | 4 499 197                   | 20 290 713                  |
| VAT payable                                | 19      | 12 628 148                  | 14 100 340                  |
| Employee benefit obligation                | 21      | 2 728 362                   | 9 712 674                   |
| Bank overdraft                             | 7       | -                           | 15 466 633                  |
|  |         | <b><u>240 857 574</u></b>   | <b><u>139 156 550</u></b>   |
| <b>Non-Current Liabilities</b>             |         |                             |                             |
| Other financial liabilities                | 20      | 50 940 346                  | 50 116 917                  |
| Employee benefit obligation                | 21      | 64 745 999                  | 40 321 709                  |
|  |         | <b><u>115 686 345</u></b>   | <b><u>90 438 626</u></b>    |
| <b>Total Liabilities</b>                   |         | <b><u>356 543 919</u></b>   | <b><u>229 595 176</u></b>   |
| <b>Net Assets</b>                          |         | <b><u>973 692 745</u></b>   | <b><u>991 059 287</u></b>   |
| <b>Net Assets</b>                          |         |                             |                             |
| Reserves                                   |         |                             |                             |
| Other NDR                                  |         | 5 446 516                   | 5 427 536                   |
| Accumulated surplus                        |         | 968 246 229                 | 985 631 751                 |
| <b>Total Net Assets</b>                    |         | <b><u>973 692 745</u></b>   | <b><u>991 059 287</u></b>   |

\* See Note 48

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

|   |         | 2015                 | 2014                 |
|---|---------|----------------------|----------------------|
|   | Note(s) | R                    | Restated*<br>R       |
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |
| Service charges                                     | 24      | 196 610 041          | 161 564 120          |
| Rental of facilities and equipment                  | 34      | 1 023 409            | 800 907              |
| Interest received                                   |         | 12 494 247           | 11 207 128           |
| Agency services                                     |         | 850 378              | 877 055              |
| Licences and permits                                |         | 2 344 416            | 2 596 574            |
| Other income  | 26      | 1 892 183            | 2 219 713            |
| <b>Total revenue from exchange transactions</b>     |         | <b>215 214 674</b>   | <b>179 265 497</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| <b>Taxation revenue</b>                             |         |                      |                      |
| Property rates                                      | 23      | 53 827 308           | 46 153 127           |
| <b>Transfer revenue</b>                             |         |                      |                      |
| Government grants & subsidies                       | 25      | 110 611 241          | 115 733 348          |
| Fines, Penalties and Forfeits                       |         | 55 402               | 655 711              |
| <b>Total revenue from non-exchange transactions</b> |         | <b>164 493 951</b>   | <b>162 542 186</b>   |
| <b>Total revenue</b>                                | 22      | <b>379 708 625</b>   | <b>341 807 683</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee related costs                              | 28      | (132 993 026)        | (132 881 617)        |
| Remuneration of councillors                         | 29      | (9 458 268)          | (8 336 735)          |
| Administration                                      |         | (5 845)              | -                    |
| Depreciation and amortisation                       | 30      | (33 443 447)         | (36 729 303)         |
| Impairment loss/ Reversal of impairments            | 31      | (11 224 306)         | 5 245 900            |
| Finance costs                                       | 32      | (16 455 888)         | (6 337 044)          |
| Lease rentals on operating lease                    |         | (1 010 882)          | (1 140 400)          |
| Repairs and maintenance                             |         | (10 136 456)         | (12 776 976)         |
| Bulk purchases                                      | 37      | (82 036 759)         | (67 096 416)         |
| Contracted services                                 | 35      | (4 490 552)          | (6 917 134)          |
| Transfers and Subsidies                             | 36      | (30 808 444)         | (22 246 207)         |
| General Expenses                                    | 27      | (60 249 956)         | (46 539 909)         |
| <b>Total expenditure</b>                            |         | <b>(392 313 829)</b> | <b>(335 755 841)</b> |
| <b>Operating (deficit) surplus</b>                  |         | <b>(12 605 204)</b>  | <b>6 051 842</b>     |
| Gain on disposal of assets and liabilities          |         | 32 062               | -                    |
| Actuarial gains/losses                              | 21      | 1 047 113            | 6 383 935            |
|   |         | <b>1 079 175</b>     | <b>6 383 935</b>     |
| <b>(Deficit) surplus for the year</b>               |         | <b>(11 526 029)</b>  | <b>12 435 777</b>    |

\* See Note 48



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

|  | Other NDR<br>R          | Accumulated<br>surplus<br>R | Total net<br>assets<br>R  |
|--|-------------------------|-----------------------------|---------------------------|
| <b>Balance at 01 July 2013</b>   | <b>5 408 554</b>        | <b>973 195 974</b>          | <b>978 604 528</b>        |
| Changes in net assets  |                         |                             |                           |
| Surplus for the year   | -                       | 12 435 777                  | 12 435 777                |
| Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities | 18 982                  | -                           | 18 982                    |
| Total changes  | <u>18 982</u>           | <u>12 435 777</u>           | <u>12 454 759</u>         |
| <b>Restated* Balance at 01 July 2014</b>   | <b>5 427 536</b>        | <b>979 772 258</b>          | <b>985 199 794</b>        |
| Changes in net assets  |                         |                             |                           |
| Surplus for the year   | -                       | (11 526 029)                | (11 526 029)              |
| Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities | 18 980                  | -                           | 18 980                    |
| Total changes  | <u>18 980</u>           | <u>(11 526 029)</u>         | <u>(11 507 049)</u>       |
| <b>Balance at 30 June 2015</b>   | <b><u>5 446 516</u></b> | <b><u>968 246 229</u></b>   | <b><u>973 692 745</u></b> |
| Note(s)  |                         |                             |                           |

\* See Note 48

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

|   |           | 2015                     | 2014                       |
|---|-----------|--------------------------|----------------------------|
|   | Note(s)   | R                        | Restated*<br>R             |
| <b>Cash flows from operating activities</b>                                     |           |                          |                            |
| <b>Receipts</b>   |           |                          |                            |
| Property rates  |           | 53 827 308               | 46 153 127                 |
| Services charge   |           | 196 610 041              | 161 564 120                |
| Grants  |           | 110 611 241              | 115 733 348                |
| Interest income   |           | -                        | 385 120                    |
| Other receipts  |           | 12 130 117               | 17 838 897                 |
|   |           | <u>373 178 707</u>       | <u>341 674 612</u>         |
| <b>Payments</b>   |           |                          |                            |
| Employee costs  |           | (118 330 242)            | (112 349 438)              |
| Suppliers   |           | (172 083 189)            | (214 663 973)              |
| Finance costs   |           | (16 455 888)             | (6 337 044)                |
| Other payments  |           | (3 988 922)              | (6 712 262)                |
| Remuneration of Councillors   |           | (9 458 267)              | (8 336 735)                |
|   |           | <u>(320 316 508)</u>     | <u>(348 399 452)</u>       |
| <b>Undefined difference compared to the cash generated from operations note</b> |           | <b>10</b>                | <b>(1)</b>                 |
| <b>Net cash flows from operating activities</b>                                 | <b>38</b> | <b><u>52 862 209</u></b> | <b><u>(6 724 841)</u></b>  |
| <b>Cash flows from investing activities</b>                                     |           |                          |                            |
| Purchase of property, plant and equipment                                       | 9         | (40 655 847)             | (49 792 502)               |
| Proceeds from sale of property, plant and equipment                             | 9         | 1 860 128                | -                          |
| Purchase of other intangible assets   | 10        | -                        | (631 054)                  |
| Purchases of heritage assets  | 11        | (77 000)                 | (3 161 400)                |
| Proceeds from sale of financial assets  |           | 19 758                   | (115 949)                  |
|   |           | <u>(38 852 961)</u>      | <u>(53 700 905)</u>        |
| <b>Cash flows from financing activities</b>                                     |           |                          |                            |
| Repayment of other financial liabilities  |           | 941 541                  | 30 769 995                 |
| Finance lease receipts  |           | 121 600                  | -                          |
|   |           | <u>1 063 141</u>         | <u>30 769 995</u>          |
| <b>Net cash flows from financing activities</b>                                 |           | <b><u>1 063 141</u></b>  | <b><u>30 769 995</u></b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                     |           | <b>15 072 389</b>        | <b>(29 655 751)</b>        |
| Cash and cash equivalents at the beginning of the year                          |           | (13 436 738)             | 9 832 693                  |
| <b>Cash and cash equivalents at the end of the year</b>                         | <b>7</b>  | <b><u>1 635 651</u></b>  | <b><u>(19 823 058)</u></b> |

\* See Note 48

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

|  | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance            | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
|  | R                    | R   | R                        | R  | R   | R                    | R                    | R                        | R                   | R                                   | R                                      |
| <b>2015</b>  |                      |   |                          |  |   |                      |                      |                          |                     |                                     |  |
| <b>Financial Performance</b>   |                      |   |                          |  |   |                      |                      |                          |                     |                                     |  |
| Property rates   | 45 925 379           | 24 196  | 45 949 575               | -  |   | 45 949 575           | 53 827 308           |                          | 7 877 733           | 117 %                               | 117 %                                  |
| Service charges  | 224 360 355          | 1 006 993   | 225 367 348              | -  |   | 225 367 348          | 196 610 041          |                          | (28 757 307)        | 87 %                                | 88 %                                   |
| Transfers recognised - operational                                   | 80 107 833           | (748 018)   | 79 359 815               | -  |   | 79 359 815           | 81 632 008           |                          | 2 272 193           | 103 %                               | 102 %                                  |
| Other own revenue  | 25 803 707           | (7 875 878)   | 17 927 829               | -  |   | 17 927 829           | 18 692 097           |                          | 764 268             | 104 %                               | 72 %                                   |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>376 197 274</b>   | <b>(7 592 707)</b>                                  | <b>368 604 567</b>       | <b>-</b>                                   |   | <b>368 604 567</b>   | <b>350 761 454</b>   |                          | <b>(17 843 113)</b> | <b>95 %</b>                         | <b>93 %</b>                            |
| Employee costs   | (136 957 725)        | 663 279   | (136 294 446)            | -  | -   | (136 294 446)        | (132 993 026)        | -                        | 3 301 420           | 98 %                                | 97 %                                   |
| Remuneration of councillors  | (9 310 068)          | -   | (9 310 068)              | -  | -   | (9 310 068)          | (9 458 268)          | (148 200)                | (148 200)           | 102 %                               | 102 %                                  |
| Depreciation and asset impairment                                    | (25 497 252)         | 4 000 000   | (21 497 252)             |  |   | (21 497 252)         | (44 667 753)         | (12 101 671)             | (23 170 501)        | 208 %                               | 175 %                                  |
| Finance charges  | -                    | -   | -                        | -  | -   | -                    | (16 455 888)         | (16 455 888)             | (16 455 888)        | DIV/0 %                             | DIV/0 %                                |
| Materials and bulk purchases   | (79 623 734)         | -   | (79 623 734)             | -  | -   | (79 623 734)         | (82 036 759)         | (2 413 025)              | (2 413 025)         | 103 %                               | 103 %                                  |
| Transfers and grants   | (40 799 302)         | (139 000)   | (40 938 302)             | -  | -   | (40 938 302)         | (30 808 444)         | -                        | 10 129 858          | 75 %                                | 76 %                                   |
| Other expenditure  | (84 034 498)         | 10 016 227  | (74 018 271)             | -  | -   | (74 018 271)         | (75 893 691)         | (528 673)                | (1 875 420)         | 103 %                               | 90 %                                   |
| <b>Total expenditure</b>   | <b>(376 222 579)</b> | <b>14 540 506</b>                                   | <b>(361 682 073)</b>     | <b>-</b>                                   | <b>-</b>                                  | <b>(361 682 073)</b> | <b>(392 313 829)</b> | <b>(31 647 457)</b>      | <b>(30 631 756)</b> | <b>108 %</b>                        | <b>104 %</b>                           |
| <b>Surplus/(Deficit)</b>   | <b>(25 305)</b>      | <b>6 947 799</b>                                    | <b>6 922 494</b>         | <b>-</b>                                   |   | <b>6 922 494</b>     | <b>(41 552 375)</b>  |                          | <b>(48 474 869)</b> | <b>(600)%</b>                       | <b>164 206 %</b>                       |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

|  | Original budget  | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget     | Actual outcome      | Unauthorised expenditure | Variance            | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------|---|--------------------------|--|---|------------------|---------------------|--------------------------|---------------------|-------------------------------------|--|
|  | R                | R   | R                        | R  | R   | R                | R                   | R                        | R                   | R                                   | R                                      |
| Transfers recognised - capital                                     | 1 609 312        | 158 194   | 1 767 506                | -  |   | 1 767 506        | 28 979 233          |                          | 27 211 727          | 1 640 %                             | 1 801 %                                |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>1 584 007</b> | <b>7 105 993</b>                                    | <b>8 690 000</b>         | <b>-</b>                                   |   | <b>8 690 000</b> | <b>(12 573 142)</b> |                          | <b>(21 263 142)</b> | <b>(145)%</b>                       | <b>(794)%</b>                          |
| <b>Surplus/(Deficit) for the year</b>                              | <b>1 584 007</b> | <b>7 105 993</b>                                    | <b>8 690 000</b>         | <b>-</b>                                   |   | <b>8 690 000</b> | <b>(12 573 142)</b> |                          | <b>(21 263 142)</b> | <b>(145)%</b>                       | <b>(794)%</b>                          |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

|          |  |
|----------|--|
| GRAP 1   | Presentation of Financial Statements                                     |
| GRAP 2   | Cash Flow Statements   |
| GRAP 3   | Accounting Policies, Changes in Accounting Estimates and Errors          |
| GRAP 4   | The Effects of Changes in Foreign Exchange Rates                         |
| GRAP 5   | Borrowing Costs  |
| GRAP 6   | Consolidated financial statements and accounting for controlled entities |
| GRAP 7   | Accounting for Investments in Associates                                 |
| GRAP 8   | Financial Reporting of Interest in Joint Ventures                        |
| GRAP 9   | Revenue  |
| GRAP 11  | Construction Contracts   |
| GRAP 12  | Inventories  |
| GRAP 13  | Leases   |
| GRAP 14  | Events after the Reporting Date  |
| GRAP 16  | Investment Properties  |
| GRAP 17  | Property, Plant and Equipment  |
| GRAP 19  | Provisions, Contingent Liabilities and Contingent Assets                 |
| GRAP 20  | Related Party Disclosure (Approved, Not yet effective)                   |
| GRAP 21  | Impairment of Non-Cash Generating Assets                                 |
| GRAP 23  | Revenue from non-exchange transactions                                   |
| GRAP 24  | Presentation of Budget Information in Financial Statements               |
| GRAP 25  | Employee Benefits (Approved, early adoption)                             |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations             |
| GRAP 101 | Agriculture  |
| GRAP 102 | Intangible Assets  |
| GRAP 103 | Heritage Assets  |
| GRAP 104 | Financial Instruments  |

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

|                   |   |
|-------------------|---|
| IPSAS 20          | Related Party Disclosures   |
| IFRS 4 (AC 141)   | Insurance contracts   |
| IFRS 6 (AC 143)   | Exploration for and Evaluation of Mineral                                 |
| IAS 12 (AC 102)   | Income tax  |
| SIC – 25 (AC 425) | Income taxes – changes in the tax Status of an Entity or its Shareholders |
| SIC – 29 (AC 429) | Service Concession Arrangements – Disclosures                             |
| IFRIC 12 (AC 445) | Service Concession Arrangements   |

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded to the nearest rand.

### 1.2 Going concern assumption

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

### 1.3 Comparative information

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

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

### 1.4 Standards, Amendments to standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

|          |  |
|----------|--|
| GRAP 18  | Segment Reporting  |
| GRAP 20  | Related Party Disclosures  |
| GRAP 105 | Transfers of Functions Between Entities under Common Control     |
| GRAP 106 | Transfers of Functions Between Entities Not under Common Control |
| GRAP 107 | Mergers  |

### 1.5 Presentation of Budget Information

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

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

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Housing Development Fund

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

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

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

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Employee benefits

#### (a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has a long service award liability and post-retirement medical liability. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity.

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

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

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

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

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

#### (b) Post Retirement Medical obligations

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

#### (c) Long Service awards

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

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

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

#### (d) Ex gratia Gratuities

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

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



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

(e) Accrued Leave pay

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

(f) Accrued Annual and Performance bonuses

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

(g) Other short-term employee benefits

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

### 1.8 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

### 1.9 Leases

#### Municipality as a lessee

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

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

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

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

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

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

#### 1.9.2 Municipality as a lessor

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### 1.10 Long term liabilities (Borrowings)

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

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

### 1.11 Payables from exchange transactions

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Unspent Conditional Grants and Receipts

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

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

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

### 1.13 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

The municipality is liable to account for VAT at standard rate (14%) in terms of section 7(1) of the vat act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope for VAT purposes. The timing of payments to or from SARS is the last day of each of twelve months financial year.

### 1.14 Property, Plant and Equipment

#### 1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

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

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

#### 1.14.2 Subsequent Measurement - Cost model

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

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14.3 Depreciation and Impairment

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

#### INFRASTRUCTURE ASSETS

|                             |          |
|-----------------------------|----------|
| Elec. Generation:           | 10 - 30  |
| Elec. Reticulation:         | 10 - 45  |
| Refuse:                     | 10 - 100 |
| Roads, Pavements & Bridges: | 10 - 50  |
| Sewerage Purification:      | 20 - 120 |
| Sewerage- Reticulation:     | 10 - 100 |
| Storm water:                | 10 - 50  |
| Street Lightning:           | 5 - 20   |
| Water- Dams & Reservoirs:   | 20 - 50  |
| Water- Reticulation:        | 10 - 120 |

#### COMMUNITY ASSETS

|                           |          |
|---------------------------|----------|
| Buses:                    | 10 - 15  |
| Cemeteries:               | 20 - 100 |
| Community Halls:          | 15 - 100 |
| Community- Other:         | 15 - 100 |
| Fire, Safety & Emergency: | 10 - 100 |
| Libraries:                | 10 - 100 |
| Museums & Artr Galleries: | 10 - 100 |
| Parks & Gardens:          | 5 - 50   |
| Recreational Facilities:  | 15 - 100 |
| Social Renting Housing:   | 10 - 100 |
| Sportfields & Stadium:    | 10 - 100 |
| Swimming Pools:           | 10 - 20  |

#### OTHER ASSETS

|                                  |            |
|----------------------------------|------------|
| Civil Land & Buildings:          | 20 - 100   |
| Computers- Hardware & Equipment: | 4 - 5      |
| Furniture & Office Equipment:    | 7 - 30     |
| General Vehicles:                | 7 - 15     |
| Other Buildings:                 | 50 - 100   |
| Other Land:                      | Indefinite |
| Other- Other Assets:             | 5 - 15     |
| Plant & Equipment:               | 5 - 30     |
| Security Measures:               | 5 - 10     |
| Specialised Vehicles:            | 12 - 30    |

#### INTANGIBLE ASSETS

|                              |        |
|------------------------------|--------|
| Intangible Assets- Other:    | 5 - 20 |
| Intangible Assets- Software: | 4 - 10 |

#### INVESTMENT PROPERTIES

|                                  |            |
|----------------------------------|------------|
| Investment Properties- Land:     | Indefinite |
| Investment Properties- Building: | Indefinite |

#### HERITAGE ASSETS

|                            |  |
|----------------------------|--|
| Heritage Assets: Buildings |  |
| Heritage Assets: Other     |  |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14.4 Derecognition

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

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

### 1.15 Investment Properties

#### 1.15.1 Initial Recognition

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

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

#### 1.15.2 Subsequent Measurement - Fair value model

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

#### 1.15.3 Derecognition

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

### 1.16 Intangible Assets

#### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

#### 1.16.2 Subsequent Recognition - Cost model

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

#### 1.16.3 Amortisation and Impairment

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

### 1.16.4 Derecognition

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

### 1.17 Heritage Assets

#### 1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably. A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### 1.17.2 Subsequent Measurement - Cost model

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

#### 1.17.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial. Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

#### 1.17.4 Derecognition

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

### 1.18 Assets classified as held for sale

#### 1.18.1 Initial Recognition

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.18.3 Derecognition

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

### 1.19 Non Current Investments

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

### 1.20 Inventories

#### 1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.21.2 Subsequent Measurement

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

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.21 Trade and Other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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

### 1.22 Cash and Cash Equivalents

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

### 1.23 Revenue Recognition

#### 1.24.1 Revenue from Exchange Transactions

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly. Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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

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

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

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably. The income for agency services recognised is commission in terms of the agency agreement.

#### 1.24.2 Revenue from Non- Exchange Transactions



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- The income for agency services recognised is commission in terms of the agency agreement.

### 1.24 Changes in Accounting Policy, Estimate and Correction of Error

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

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

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

### 1.25 Unauthorised Expenditure

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

Unauthorised expenditure includes:

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.26 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements shall be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements is updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the council or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.27 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.28 Related Parties

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

#### Related parties include:

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

#### Key management personnel include:

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

### 1.29 Financial Instruments

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

#### 1.29.1 Financial Assets

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

### 1.29.2 Financial Liabilities

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

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

### 1.29.3 Measurement

#### Initial Recognition:

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

#### Subsequent Measurement:

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

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

### 1.29.4 Impairment of Financial Assets

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

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

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

### 1.29.5 Derecognition of Financial Assets

#### 1.29.5.1 Financial Assets

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

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

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

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

### 1.29.5.2 Financial Liabilities

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

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

### 1.29.6 Offsetting of Financial Instruments

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

### 1.30 Contingent Liabilities/ Assets

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and liabilities are not recognised in the Statement of Financial Position. Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.31 Events After Reporting Date

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

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.32 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

#### Revenue Recognition

Accounting Policy 1.25.1 on Revenue from Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### Financial assets and liabilities

The classification of financial assets and liabilities is based on judgement by management.

#### Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Impairment of Financial Assets** - Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements.

**Useful lives of Property, Plant and Equipment** - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

#### Investment Property

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

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

**Defined Benefit Plan Liabilities** - The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the Annual Financial Statements.

#### Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.32 Significant judgements and sources of estimation uncertainty (continued)

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

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

Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements. Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

#### Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### Allowance for slow moving, damaged and obsolete stock

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

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.32 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

### 1.33 Investment property

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

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

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

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

Investment property is initially recognised at fair value.



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.33 Investment property (continued)

#### Fair value

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

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

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

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

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

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

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

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

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

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

### 1.34 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. All donated property, plant and equipment is recognised at its fair value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up. Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

### 1.35 Intangible assets

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.35 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:

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

### 1.36 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality. Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.36 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

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

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

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

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

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

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

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

#### Transitional provision

The municipality changed its accounting policy for heritage assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 2015-06-30.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.36 Heritage assets (continued)

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets was acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and heritage assets have accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

### 1.37 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

- cash;

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.37 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.38 Leases

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

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

#### Finance leases - lessor

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

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

#### Finance leases - lessee

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.39 Employee benefits

Employee benefits are all forms of consideration given by municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.39 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### 1.40 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.40 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

### 1.41 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

### 1.42 Events after reporting date

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.42 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.43 Unauthorised expenditure

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

Unauthorised expenditure includes:

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

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

### 1.44 Fruitless and wasteful expenditure

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

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

### 1.45 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.45 Investments (continued)

#### Investments in derivative financial instruments

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

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

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

### 1.46 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.47 Budget information

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

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

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

The approved budget covers the fiscal period from 2012-07-01 to 2015-06-30.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

### 1.48 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.48 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## Notes to the Annual Financial Statements

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|  | 2015 | 2014 |
|--|------|------|
|  | R    | R    |

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# **Makana Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Notes to the Annual Financial Statements**

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### **2. NEW STANDARDS AND INTERPRETATIONS**

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

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

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|   | 2015<br>R            | 2014<br>R           |
|---|----------------------|---------------------|
| <b>3. INVENTORIES</b>   |                      |                     |
| Consumable stores   | 6 660 922            | 5 265 404           |
| Maintenance materials   | 7 587 263            | 6 665 262           |
| Water   | 170 614              | 170 614             |
| Other Stores  | 1 123 395            | 1 020 711           |
|   | <b>15 542 194</b>    | <b>13 121 991</b>   |
| Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required. |                      |                     |
| <b>4. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>  |                      |                     |
| Debtors in credit   | 2 499 663            | 6 375 986           |
| <b>5. CONSUMER DEBTORS</b>  |                      |                     |
| <b>Gross balances</b>   |                      |                     |
| Electricity   | 37 485 706           | 43 843 361          |
| Refuse  | 27 268 867           | 19 511 259          |
| Sewerage  | 47 606 872           | 40 682 361          |
| Water   | 147 540 325          | 95 497 326          |
| Other (specify)   | 27 536 654           | 20 147 310          |
|   | <b>287 438 424</b>   | <b>219 681 617</b>  |
| <b>Less: Allowance for impairment</b>   |                      |                     |
| Electricity   | (14 294 375)         | (14 294 375)        |
| Refuse  | (8 427 688)          | (8 427 688)         |
| Sewerage  | (15 489 308)         | (15 489 308)        |
| Water   | (42 820 343)         | (42 820 343)        |
| Other (specify)   | (31 656 548)         | (9 077 532)         |
|   | <b>(112 688 262)</b> | <b>(90 109 246)</b> |
| <b>Net balance</b>  |                      |                     |
| Electricity   | 23 191 331           | 29 548 986          |
| Refuse  | 18 841 179           | 11 083 571          |
| Sewerage  | 32 117 564           | 25 193 053          |
| Water   | 104 719 982          | 52 676 983          |
| Other (specify)   | (4 119 894)          | 11 069 778          |
|   | <b>174 750 162</b>   | <b>129 572 371</b>  |
| <b>Electricity</b>  |                      |                     |
| Current (0 -30 days)  | 9 934 688            | 14 477 574          |
| 31 - 60 days  | 5 391 719            | 1 845 678           |
| 61 - 90 days  | 4 048 289            | 1 514 471           |
| 91 - 120 days   | 3 261 193            | 11 711 263          |
| 121 - 365 days  | 555 442              | -                   |
|   | <b>23 191 331</b>    | <b>29 548 986</b>   |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R          | 2014<br>R         |
|--|--------------------|-------------------|
| <b>5. CONSUMER DEBTORS (continued)</b> |                    |                   |
| <b>Water</b>                           |                    |                   |
| Current (0 -30 days)                   | 6 857 333          | 5 698 250         |
| 31 - 60 days                           | 2 672 963          | 1 892 970         |
| 61 - 90 days                           | 2 391 606          | 1 709 354         |
| 91 - 120 days                          | 2 380 429          | 43 376 409        |
| 121 - 365 days                         | 36 987 985         | -                 |
| > 365 days                             | 53 429 666         | -                 |
|  | <b>104 719 982</b> | <b>52 676 983</b> |
| <b>Sewerage</b>                        |                    |                   |
| Current (0 -30 days)                   | 65 110             | 702               |
| 351                                    | 598                | 351               |
| 61 - 90 days                           | 598                | 351               |
| 91 - 120 days                          | 596                | 25 191 649        |
| 121 - 365 days                         | 53 123             | -                 |
| > 365 days                             | 31 997 539         | -                 |
|  | <b>32 117 564</b>  | <b>25 193 053</b> |
| <b>Refuse</b>                          |                    |                   |
| Current (0 -30 days)                   | 363 168            | 882 154           |
| 31 - 60 days                           | 482 550            | 311 020           |
| 61 - 90 days                           | 420 802            | 294 460           |
| 91 - 120 days                          | 395 395            | 9 595 937         |
| 121 - 365 days                         | 16 924 883         | -                 |
| > 365 days                             | 254 381            | -                 |
|  | <b>18 841 179</b>  | <b>11 083 571</b> |
| <b>Other (specify)</b>                 |                    |                   |
| Current (0 -30 days)                   | 556 056            | 513 739           |
| 31 - 60 days                           | 245 985            | 110 719           |
| 61 - 90 days                           | 149 809            | 55 473            |
| 91 - 120 days                          | 137 417            | 9 029 846         |
| 121 - 365 days                         | 10 784 066         | (45 008 930)      |
| > 365 days                             | (15 993 227)       | 46 368 931        |
|  | <b>(4 119 894)</b> | <b>11 069 778</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R            | 2014<br>R           |
|--|----------------------|---------------------|
| <b>5. CONSUMER DEBTORS (continued)</b>               |                      |                     |
| <b>Summary of debtors by customer classification</b> |                      |                     |
| <b>Consumers</b>                                     |                      |                     |
| Current (0 -30 days)                                 | 96 809 922           | 11 669 818          |
| 31 - 60 days   | 11 791 106           | 3 821 430           |
| 61 - 90 days   | 10 444 785           | 4 024 253           |
| 91 - 120 days  | 8 909 160            | 125 321 529         |
| 121 - 365 days                                       | 108 823 083          | -                   |
|  | 236 778 056          | 144 837 030         |
| Less: Allowance for impairment                       | (62 027 885)         | -                   |
|  | <b>174 750 171</b>   | <b>144 837 030</b>  |
| <b>Industrial/ commercial</b>                        |                      |                     |
| Current (0 -30 days)                                 | 3 674 387            | 4 659 102           |
| 31 - 60 days   | 1 951 559            | 1 652 748           |
| 61 - 90 days   | 1 440 784            | 904 460             |
| 91 - 120 days  | 1 088 411            | 19 592 136          |
| 121 - 365 days                                       | 19 112 534           | -                   |
|  | 27 267 675           | 26 808 446          |
| <b>National and provincial government</b>            |                      |                     |
| Current (0 -30 days)                                 | (73 693)             | 1 144 504           |
| 31 - 60 days   | 576 026              | 331 772             |
| 61 - 90 days   | 313 121              | 229 758             |
| 91 - 120 days  | 319 201              | 1 229 690           |
| 121 - 365 days                                       | 2 778 412            | -                   |
|  | 3 913 067            | 2 935 724           |
| <b>Total</b>   |                      |                     |
| Current (0 -30 days)                                 | 96 809 922           | 17 473 424          |
| 31 - 60 days   | 11 791 106           | 5 805 950           |
| 61 - 90 days   | 10 444 785           | 5 158 471           |
| 91 - 120 days  | 8 909 160            | 146 143 455         |
| 121 - 365 days                                       | 108 823 083          | -                   |
|  | 236 778 056          | 174 581 300         |
| Less: Allowance for impairment                       | (62 027 894)         | (45 008 929)        |
|  | <b>174 750 162</b>   | <b>129 572 371</b>  |
| <b>Less: Provision for debt impairment</b>           |                      |                     |
| 121 - 365 days                                       | 255 751 546          | (14 014 600)        |
| > 365 days   | (368 439 808)        | (76 094 646)        |
|  | <b>(112 688 262)</b> | <b>(90 109 246)</b> |
| <b>Reconciliation of allowance for impairment</b>    |                      |                     |
| Balance at beginning of the year                     | (90 109 246)         | (84 334 216)        |
| Contributions to allowance                           | 59 235 777           | 1 360 000           |
| Debt impairment written off against allowance        | (20 527 155)         | (7 135 030)         |
| Reversal of allowance                                | (61 287 638)         | -                   |
|  | <b>(112 688 262)</b> | <b>(90 109 246)</b> |



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R         | 2014<br>R           |
|--|-------------------|---------------------|
| <b>6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b> |                   |                     |
| Payments made in advance                             | (9 793 211)       | (8 352 945)         |
| Sundry Deposits                                      | 6 757 930         | (564 986)           |
| Assessment rates debtors                             | 49 570 443        | 40 981 651          |
| Sundry Deposits                                      | 71 221            | 50 000              |
|  | <b>46 606 383</b> | <b>32 113 720</b>   |
| <b>7. CASH AND CASH EQUIVALENTS</b>                  |                   |                     |
| Cash and cash equivalents consist of:                |                   |                     |
| Current Investments                                  | 12 138 648        | 2 024 445           |
| Bank Accounts  | 6 036 866         | -                   |
| Other Cash and Cash Equivalents                      | 2 911             | 5 450               |
| Bank Overdraft                                       | -                 | (15 466 633)        |
|  | <b>18 178 425</b> | <b>(13 436 738)</b> |
| Current assets                                       | 18 178 425        | 2 029 895           |
| Current liabilities                                  | -                 | (15 466 633)        |
|  | <b>18 178 425</b> | <b>(13 436 738)</b> |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts

### Current Investment Deposits

Call Deposits are investments with no maturity period.

The municipality does not have any overdrawn current account facilities with its bankers and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

### The municipality had the following bank accounts

| Account number / description                                 | Bank statement balances |                   |                   | Cash book balances |                     |              |
|--|-------------------------|-------------------|-------------------|--------------------|---------------------|--------------|
|  | 30 June 2015            | 30 June 2014      | 30 June 2013      | 30 June 2015       | 30 June 2014        | 30 June 2013 |
| FIRST NATIONAL BANK -<br>Current Account - 620-312-<br>32531 | 5 786 560               | 10 092 144        | 17 777 349        | 6 036 866          | (15 466 633)        | -            |
| STANDARD BANK - Current<br>Account - 081-999-356             | 3 736 884               | 7 215 473         | 522 693           | -                  | -                   | -            |
| <b>Total</b>   | <b>9 523 444</b>        | <b>17 307 617</b> | <b>18 300 042</b> | <b>6 036 866</b>   | <b>(15 466 633)</b> | <b>-</b>     |

### Other Cash and Cash Equivalents

|  |       |       |
|--|-------|-------|
|  | 5 450 | 5 450 |
|--|-------|-------|

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|      |      |
|------|------|
| 2015 | 2014 |
| R    | R    |

### 8. OPERATING LEASE RECIEVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases. Operating Leases relate to Property owned by the municipality with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period. The property rental income earned by the municipality from its Investment Properties, all of which is leased out under operating leases, amounted to R1 005 709.07 (2014: R341328.70 ).

### 9. PROPERTY, PLANT AND EQUIPMENT

|  | 2015                 |   |                    | 2014                |   |                    |
|--|----------------------|---|--------------------|---------------------|---|--------------------|
|  | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     |
| Land                                   | 107 548 871          | -   | 107 548 871        | 85 598 171          | -   | 85 598 171         |
| Buildings                              | 128 685 678          | (19 454 597)  | 109 231 081        | 112 006 417         | (17 463 421)  | 94 542 996         |
| Infrastructure                         | 739 831 313          | (166 360 838)   | 573 470 475        | 697 327 648         | (139 876 677)   | 557 450 971        |
| Community                              | 49 907 250           | (11 222 096)  | 38 685 154         | 49 907 250          | (9 642 035)   | 40 265 215         |
| Other property, plant and<br>equipment | 44 796 921           | (21 139 536)  | 23 657 385         | 47 622 259          | (19 532 399)  | 28 089 860         |
| Landfill site                          | -                    | (51 120)  | (51 120)           | -                   | -   | -                  |
| <b>Total</b>                           | <b>1 070 770 033</b> | <b>(218 228 187)</b>  | <b>852 541 846</b> | <b>992 461 745</b>  | <b>(186 514 532)</b>  | <b>805 947 213</b> |

## Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in Rand

#### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

|                                     | Opening balance    | Additions        | Work In Progress  | Disposals          | Transfers received | Other changes, movements | Depreciation        | Accumulated Depreciation Adjustment | Total              |
|-------------------------------------|--------------------|------------------|-------------------|--------------------|--------------------|--------------------------|---------------------|-------------------------------------|--------------------|
| Land                                | 85 598 171         | -                | -                 | -                  | 21 950 700         | -                        | -                   | -                                   | 107 548 871        |
| Buildings                           | 94 542 996         | -                | -                 | -                  | 16 679 261         | -                        | (1 991 176)         | -                                   | 109 231 081        |
| Infrastructure                      | 557 450 971        | 2 265 982        | 38 138 856        | -                  | -                  | 2 098 825                | (26 669 215)        | 185 056                             | 573 470 475        |
| Community                           | 40 265 215         | -                | -                 | -                  | -                  | -                        | (1 837 778)         | 257 717                             | 38 685 154         |
| Other property, plant and equipment | 28 089 860         | 174 009          | 77 000            | (1 828 066)        | -                  | -                        | (2 855 418)         | -                                   | 23 657 385         |
| Landfill site                       | -                  | -                | -                 | -                  | -                  | -                        | (51 120)            | -                                   | (51 120)           |
|                                     | <b>805 947 213</b> | <b>2 439 991</b> | <b>38 215 856</b> | <b>(1 828 066)</b> | <b>38 629 961</b>  | <b>2 098 825</b>         | <b>(33 404 707)</b> | <b>442 773</b>                      | <b>852 541 846</b> |

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

|                                     | Opening balance      | Additions        | Additions through entity combinations | Transfers received | Other changes, movements | Depreciation        | Accumulated Depreciation reversal | Total              |
|-------------------------------------|----------------------|------------------|---------------------------------------|--------------------|--------------------------|---------------------|-----------------------------------|--------------------|
| Land                                | 319 236 991          | -                | -                                     | (23 949 070)       | (209 689 750)            | -                   | -                                 | 85 598 171         |
| Buildings                           | 313 510 576          | 80 717           | -                                     | 23 949 070         | (273 152 160)            | (3 572 345)         | 33 727 138                        | 94 542 996         |
| Infrastructure                      | 539 151 064          | 1 661 817        | 47 143 932                            | -                  | -                        | (30 505 842)        | -                                 | 557 450 971        |
| Community                           | 42 011 145           | -                | 385 963                               | -                  | -                        | (2 131 893)         | -                                 | 40 265 215         |
| Other property, plant and equipment | 31 248 693           | 520 073          | -                                     | -                  | -                        | (3 678 906)         | -                                 | 28 089 860         |
|                                     | <b>1 245 158 469</b> | <b>2 262 607</b> | <b>47 529 895</b>                     | <b>-</b>           | <b>(482 841 910)</b>     | <b>(39 888 986)</b> | <b>33 727 138</b>                 | <b>805 947 213</b> |

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

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  |      |      |
|--|------|------|
|  | 2015 | 2014 |
|  | R    | R    |

### 10. INTANGIBLE ASSETS

|                   | 2015                |   |                | 2014                |   |                |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
|                   | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Intangible assets | 1 137 881           | (431 167)   | 706 714        | 1 137 881           | (189 575)   | 948 306        |

#### Reconciliation of intangible assets - 2015

|                   |                    |              |                    |         |
|-------------------|--------------------|--------------|--------------------|---------|
|                   | Opening<br>balance | Amortisation | Impairment<br>loss | Total   |
| Intangible assets | 948 306            | (86 116)     | (155 476)          | 706 714 |

#### Reconciliation of intangible assets - 2014

|                   |                    |           |                             |              |         |
|-------------------|--------------------|-----------|-----------------------------|--------------|---------|
|                   | Opening<br>balance | Additions | Other changes,<br>movements | Amortisation | Total   |
| Intangible assets | 447 916            | 631 054   | (56 643)                    | (74 021)     | 948 306 |

### 11. HERITAGE ASSETS

|                      | 2015                |                                     |                | 2014                |                                     |                |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
|                      | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value |
| Historical buildings | 29 008 049          | -                                   | 29 008 049     | 28 931 049          | -                                   | 28 931 049     |

#### Reconciliation of heritage assets 2015

|                      |                    |           |            |
|----------------------|--------------------|-----------|------------|
|                      | Opening<br>balance | Additions | Total      |
| Historical buildings | 28 931 049         | 77 000    | 29 008 049 |

#### Reconciliation of heritage assets 2014

|                      |                    |           |            |
|----------------------|--------------------|-----------|------------|
|                      | Opening<br>balance | Additions | Total      |
| Historical buildings | 25 769 649         | 3 161 400 | 28 931 049 |

### 12. INVESTMENT PROPERTY

|                     | 2015                |   |                | 2014                |   |                |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
|                     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Investment property | 190 233 500         | -   | 190 233 500    | 201 302 330         | -   | 201 302 330    |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 12. INVESTMENT PROPERTY (continued)

#### Reconciliation of investment property - 2015

|                     | Opening<br>balance | Impairments  | Total       |
|---------------------|--------------------|--------------|-------------|
| Investment property | 201 302 330        | (11 068 830) | 190 233 500 |

#### Reconciliation of investment property - 2014

|                     | Opening<br>balance | Other changes,<br>movements | Reversal of<br>impairments | Fair value<br>adjustments | Total       |
|---------------------|--------------------|-----------------------------|----------------------------|---------------------------|-------------|
| Investment property | 226 882 151        | (32 403 921)                | 1 578 200                  | 5 245 900                 | 201 302 330 |

A register containing the information required by section 63 of the Municipal Financial Management Act is available for inspection at the registered office of the municipality. The Investment Properties were valued by Mr Malan Ferreira as at 30 June 2014, an independent professional valuer registered with the South African Council for the Property Valuers Profession, however, as at 24 August 2015 Makana Municipality had not yet received the Valuation Report relating to 2014/15 financial year.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

### 13. INVESTMENT

#### Residual interest at cost

|               |         |         |
|---------------|---------|---------|
| Fixed deposit | 141 719 | 161 477 |
|---------------|---------|---------|

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 4,80 % to 5,64 % (2012: 9,42% to 15,27%) per annum.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

#### Non-current assets

|               |         |         |
|---------------|---------|---------|
| Fixed Deposit | 141 719 | 161 477 |
|---------------|---------|---------|

#### Financial assets at fair value

### 14. CONSUMER DEPOSITS

|                       |           |           |
|-----------------------|-----------|-----------|
| Electricity and water | 2 321 154 | 2 297 709 |
|-----------------------|-----------|-----------|

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 14. CONSUMER DEPOSITS (continued)

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

### 15. PROVISIONS

#### Reconciliation of provisions - 2015

|                  | Opening<br>Balance | Additions | Total     |
|------------------|--------------------|-----------|-----------|
| Other provisions | 3 844 802          | 33 758    | 3 878 560 |

#### Reconciliation of provisions - 2014

|                                     | Opening<br>Balance | Additions | Total     |
|-------------------------------------|--------------------|-----------|-----------|
| <b>Other provisions<br/>Heading</b> |                    |           |           |
| Other provisions                    | 3 812 375          | 32 427    | 3 844 802 |

The landfill site used is a permitted site which was established in 1986. The site does not pose serious environmental challenges since it is classified as G (General Waste): C (Communal-Receiving less than 25 tons/day) : B- (no significant leachate formed).

Major assumptions are the following: The municipality's yearly deposition of waste volume is 6 624.5 tons; the available permitted airspace which is a perimeter of the fence less the built up area; and the density of the waste is assumed at 0.75T/m<sup>3</sup>.

### 16. PAYABLES FROM EXCHANGE TRANSACTIONS

|                              |                    |                   |
|------------------------------|--------------------|-------------------|
| Trade payables               | 134 972 225        | 33 363 394        |
| Payments received in advance | 704 718            | -                 |
| Retentions                   | 2 149 864          | 1 396 132         |
| Accrued leave pay            | 12 341 643         | 7 967 107         |
| Debtors with Credit Balances | 27 825 760         | -                 |
|                              | <b>177 994 210</b> | <b>42 726 633</b> |

The municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the municipality.

The average credit period on purchases is 180 (2014:70) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R         | 2014<br>R         |
|--|-------------------|-------------------|
| <b>17. PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b> |                   |                   |
| Other Creditor                                     | 30 228 326        | 24 630 146        |
| Sundry Debtors                                     | 2 451 685         | 2 077 080         |
|  | <b>32 680 011</b> | <b>26 707 226</b> |

## 18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

|                                      |                  |                   |
|--------------------------------------|------------------|-------------------|
| Municipal Infrastructure Grant       | -                | 12 533 658        |
| Finance Management Grant (FMG)       | 346 992          | 309 503           |
| Expanded Public Works program (EPWP) | 276 205          | -                 |
| Disaster Grant                       | 3 876 000        | 7 447 552         |
|                                      | <b>4 499 197</b> | <b>20 290 713</b> |

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

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

## 19. VAT PAYABLE

|                      |            |            |
|----------------------|------------|------------|
| Tax refunds payables | 12 628 148 | 14 100 340 |
|----------------------|------------|------------|

VAT is payable to SARS on a payment basis. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

Due to the incorrect application of technical understanding of SARS VAT guide, the Reconciliations between the SARS statement of account and the general ledger account in the past were not performed accurately and on a monthly basis to ensure payments or receipts are correctly allocated. Hence the system (GL) and vat receivable for the current year is not tallying. (Prior year mistake on ABAKUS which are currently being fixed).

|                          | 2015      | 2014             |
|--------------------------|-----------|------------------|
| VAT receivable from SARS | 1 647 224 | 93 303 (per AFS) |

## 20. OTHER FINANCIAL LIABILITIES

### Designated at fair value (DBSA)

|  |            |            |
|--|------------|------------|
| Bank loan  | 55 068 278 | 54 126 737 |
| <p>The municipality borrowed 2 loans from Development Bank of South Africa (DBSA) worth R30 000 000 at an interest rate of 6.75%, starting from 1 July 2012 and R20 000 000 at an interest rate of 11.79%, starting from 1 July 2013. Both loans are for a period of 20 years.</p> |            |            |

Refer to Appendix A for detail on Long-term Liabilities.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R  | 2014<br>R  |
|--|------------|------------|
| <b>20. OTHER FINANCIAL LIABILITIES (continued)</b> |            |            |
| <b>Non-current liabilities (DBSA)</b>              |            |            |
| Designated at fair value                           | 50 940 346 | 50 116 917 |
| <b>Current liabilities</b>                         |            |            |
| Designated at fair value                           | 4 127 932  | 4 009 820  |

## 21. EMPLOYEE BENEFIT OBLIGATIONS

### Defined benefit plan

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

|                |            |            |
|----------------|------------|------------|
| Carrying Value | 61 612 536 | 57 100 887 |
|----------------|------------|------------|

### Post retirement health care benefit liability

The municipality operates an unfunded defined benefit plan for qualifying employees, and offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. The accrued unfunded liability at 30 June 2015 is based on the municipality's accrued contributions-based liability and takes no account of any potential contingent Cros-subsidy liability. The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation report was performed on 30 June 2015 by Arch Actuarial Consulting using the Projected Unit Credit Method.

**The members of the Post-employment Health Care Benefit Plan are made up as follows:**

|                        |            |            |
|------------------------|------------|------------|
| In-Service Members     | 323        | 350        |
| In-Service Non-members | 273        | 290        |
| Continuation Members   | 61         | 68         |
|                        | <b>657</b> | <b>708</b> |

**The liability in respect of past service has been estimated as follow:**

|  |                   |                   |
|--|-------------------|-------------------|
| In-Service (employee) Members            | 30 855 650        | 26 531 696        |
| In-Service (employee) Non-members        | 6 309 647         | 5 838 885         |
| Continuation members (retiree and widow) | 24 447 239        | 24 730 306        |
|  | <b>61 612 536</b> | <b>57 100 887</b> |

**The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes**

Bonitas  
Samwumed  
Keyhealth  
Hosmed  
LA Health

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

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 57 100 887        | 45 862 298        |
| Net expense recognised in the statement of financial performance | 4 511 649         | 11 238 589        |
|  | <b>61 612 536</b> | <b>57 100 887</b> |



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R        | 2014<br>R         |
|--|------------------|-------------------|
| <b>21. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>                                    |                  |                   |
| <b>The amounts recognised in the statement of financial performance are as follows</b> |                  |                   |
| Current service cost   | 2 832 207        | 2 113 734         |
| Interest cost  | 5 080 194        | 3 977 224         |
| Actuarial (gains) losses   | (1 426 128)      | 6 933 543         |
| Expected employer Benefits Payments  | (1 974 624)      | (1 785 912)       |
|  | <b>4 511 649</b> | <b>11 238 589</b> |

**The principal assumptions used for the purpose of the actuarial valuations were as follows:**

(i) SA 85-90 table was used for pre-retirement mortality adjusted for female lives, and table PA (90)-1 was used for post-retirement mortality, adjusted year of age.

|   |         |         |
|---|---------|---------|
| Medical Health Discount rates used                                  | 9.02 %  | 9.05 %  |
| Post-retirement health care net effective discount rate             | 0.82 %  | 0.76 %  |
| Medical health General salary inflation                             | 8.13 %  | 8.22 %  |
| Long-Service award discount rate used                               | 7.78 %  | 7.79 %  |
| Long- service award general salary inflation                        | 6.97 %  | 7.05 %  |
| Long service awards net effective discount rate                     | 0.75 %  | 0.69 %  |
| Proportion of eligible non-members joining the scheme by retirement | 20.00 % | 20.00 % |

(ii) Normal Retirement Age

|                                   |    |    |
|-----------------------------------|----|----|
| Expected Retirement Age (females) | 63 | 63 |
| Expected Retirement Age (males)   | 63 | 63 |

The PA 90-1 mortality table, adjusted down by one year of age, was used. The SA85-90 ultimate table, adjusted for female lives was used.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 21. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### Other assumptions

it is further assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

|   | One<br>percentage<br>point increase | One<br>percentage<br>point<br>decrease |
|---|-------------------------------------|--|
| Effect on the aggregate of the service cost and interest cost: 2015 | 9 392 800                           | 6 682 200                              |
| Effect on defined benefit obligation: 2014                          | 7 213 200                           | 5 171 300                              |

#### The history of experienced adjustments is as follows:

The fair value of Plan assets: The post-employment health care liability and Long- Service Awards are not a funded arrangement i.e no separate assets have been set aside to meet this liability

|  | 2015<br>R    | 2014<br>R    | 2013<br>R    | 2012<br>R    | 2011<br>R    |
|--|--------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation                                   | 61 612 536   | 57 100 887   | 45 862 298   | 49 602 909   | 41 693 479   |
| Surplus (deficit)  | (61 612 536) | (57 100 887) | (45 862 298) | (49 602 909) | (41 693 479) |
| Experience adjustments on plan liabilities:<br>(Gain)/Losses | (789 000)    | 4 866 000    | (7 717 000)  | 1 131 000    | 1 454 000    |

#### Long -service awards

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

|  |                  |                  |
|--|------------------|------------------|
| Opening Balance  | 6 139 666        | 4 603 882        |
| Net expense recognised in the statement of financial performance | 708 135          | 1 535 784        |
|  | <b>6 847 801</b> | <b>6 139 666</b> |

The amount recognised in the Statement of Financial Position are as follows:

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Long-Service awards- Carrying Amount | 5 861 625 | 5 153 490 |
|--------------------------------------|-----------|-----------|

:

#### Net expense recognised in the statement of financial performance

|                        |                |                  |
|------------------------|----------------|------------------|
| Current Service Costs  | 807 335        | 703 547          |
| Interest costs         | 379 015        | 284 144          |
| Actuarial gains/losses | 103 327        | 548 093          |
| Benefits paid          | (581 542)      | -                |
|                        | <b>708 135</b> | <b>1 535 784</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|   | 2015<br>R          | 2014<br>R          |
|---|--------------------|--------------------|
| <b>22. REVENUE</b>  |                    |                    |
| Service charges   | 196 610 041        | 161 564 120        |
| Rental of facilities and equipment  | 1 023 409          | 800 907            |
| Interest received (trading)   | 12 494 247         | 11 207 128         |
| Agency services   | 850 378            | 877 055            |
| Licences and permits  | 2 344 416          | 2 596 574          |
| Other income - (rollup)   | 1 892 183          | 2 219 713          |
| Property rates  | 53 827 308         | 46 153 127         |
| Government grants & subsidies   | 110 611 241        | 115 733 348        |
| Fines, Penalties and Forfeits   | 55 402             | 655 711            |
|   | <b>379 708 625</b> | <b>341 807 683</b> |
| <br><b>The amount included in revenue arising from exchanges of goods or services are as follows:</b> |                    |                    |
| Service charges   | 196 610 041        | 161 564 120        |
| Rental of facilities and equipment  | 1 023 409          | 800 907            |
| Interest received   | 12 494 247         | 11 207 128         |
| Agency services   | 850 378            | 877 055            |
| Licences and permits  | 2 344 416          | 2 596 574          |
| Other income - (rollup)   | 1 892 183          | 2 219 713          |
|   | <b>215 214 674</b> | <b>179 265 497</b> |
| <br><b>The amount included in revenue arising from non-exchange transactions is as follows:</b>       |                    |                    |
| <b>Taxation revenue</b>   |                    |                    |
| Property rates  | 53 827 308         | 46 153 127         |
| <b>Transfer revenue</b>   |                    |                    |
| Government grants & subsidies   | 110 611 241        | 115 733 348        |
| Fines, Penalties and Forfeits   | 55 402             | 655 711            |
|   | <b>164 493 951</b> | <b>162 542 186</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R          | 2014<br>R          |
|--|--------------------|--------------------|
| <b>23. PROPERTY RATES</b>  |                    |                    |
| <b>Rates received</b>  |                    |                    |
| Residential  | -                  | 17 189 378         |
| Commercial   | -                  | 8 233 075          |
| State  | 57 215 209         | 1 811 803          |
| Municipal  | -                  | 9 941 346          |
| Agricultural   | -                  | 1 763 355          |
| Industrial   | -                  | 891 327            |
| Educational  | -                  | 2 060 003          |
| Institutional  | -                  | 7 633 633          |
| Less: Income forgone   | (3 387 901)        | (3 370 793)        |
|  | <b>53 827 308</b>  | <b>46 153 127</b>  |
| <b>Valuations</b>  |                    |                    |
| Residential  | 20 713 016         | 4 483 151          |
| Commercial   | 9 368 940          | 757 012            |
| State  | 11 831 868         | 664 085            |
| Municipal  | -                  | 386 014            |
| Undetermined   | 360 233            | -                  |
| Agricultural   | 2 053 893          | 1 856 163          |
| Industrial   | 1 556 606          | 153 097            |
| Educational  | 10 580 233         | 525 377            |
| Institutional  | 39 877             | 988 429            |
| Less: Income forgone   | (3 838 019)        | -                  |
|  | <b>52 666 647</b>  | <b>9 813 328</b>   |
| <p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> |                    |                    |
| <b>24. SERVICE CHARGES</b>   |                    |                    |
| Service charges  | 101 716            | 89 858             |
| Sale of electricity  | 96 547 240         | 95 765 691         |
| Sale of water  | 66 694 995         | 39 593 551         |
| Sewerage and sanitation charges  | 21 525 255         | 19 752 159         |
| Refuse removal   | 11 740 835         | 6 362 861          |
|  | <b>196 610 041</b> | <b>161 564 120</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R          | 2014<br>R          |
|--|--------------------|--------------------|
| <b>25. GOVERNMENT GRANTS AND SUBSIDIES</b>   |                    |                    |
| <b>Operating grants</b>  |                    |                    |
| Equitable share  | 72 184 000         | 53 602 000         |
| Municipal System Improvement Grant (MSIG)  | 934 000            | 937 584            |
| Department Sport, Recreation, Arts & Culture   | 3 985 000          | -                  |
| Finance Management Grant (FMG)   | 1 562 510          | 1 240 497          |
| Other Government: LG Seta  | 1 025              | 195 853            |
| Other Grants   | 2 234 678          | 4 007 079          |
| Expanded Public Works Programme (EPWP)   | 730 795            | -                  |
|  | <b>81 632 008</b>  | <b>59 983 013</b>  |
| <b>Capital grants</b>  |                    |                    |
| Neighbourhood Development Partnership Grant (NDPG)   | -                  | 5 407 499          |
| Human Settlement Grant   | -                  | 1 895 140          |
| DWA  | 3 561 188          | 6 657 391          |
| CDM  | -                  | 1 276 448          |
| Municipal Infrastructure Grant (MIG)   | 22 379 961         | 15 894 984         |
| Other Grant  | -                  | 23 079 873         |
| Regional Bulk Infrastructure Grant   | 1 499 084          | -                  |
| INNOWIND   | 1 539 000          | 1 539 000          |
|  | <b>28 979 233</b>  | <b>55 750 335</b>  |
|  | <b>110 611 241</b> | <b>115 733 348</b> |
| <b>Disaster</b>  |                    |                    |
| Current-year receipts  | 7 447 552          | 8 724 000          |
| Conditions met - transferred to revenue  | (3 571 552)        | (1 276 448)        |
| Balance unspent at end of the year   | (3 876 000)        | (7 447 552)        |
|  | -                  | -                  |
| Conditions still to be met - remain liabilities (see note 18).   |                    |                    |
| Provide explanations of conditions still to be met and other relevant information.   |                    |                    |
| <b>Municipal Infrastructure Grant</b>  |                    |                    |
| Balance unspent at beginning of year   | 12 533 658         | -                  |
| Current-year receipts  | 9 836 800          | 27 998 000         |
| Conditions met - transferred to revenue  | (22 370 458)       | (15 464 342)       |
|  | -                  | <b>12 533 658</b>  |
| <p>The municipal Infrastructure Grant (MIG) was allocated for construction of Roads, basic sewere and water infrastructure as pa of the life of poor households, micro enterprise and social institution, to provide new infrastructure , rehabilitation and upgrading of municipal infrastructure. A portion of the MIG funds is with the Sara Baartman District Municipality and is yet to be disbursed to the municipality.</p> |                    |                    |
| <b>NDPG</b>  |                    |                    |
| Current-year receipts  | -                  | 5 841 000          |
| Conditions met - transferred to revenue  | -                  | (5 841 000)        |
|  | -                  | -                  |

Expenses were incurred to promote development of communities. R14 650 000 have been withheld

### Department of Housing

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R   | 2014<br>R   |
|--|-------------|-------------|
| <b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b> |             |             |
| Balance unspent at beginning of year                   | -           | 3 345 595   |
| Current-year receipts                                  | 3 345 595   | -           |
| Conditions met - transferred to revenue                | (3 345 595) | (3 345 595) |
|  | -           | -           |

This Grant was allocated to the municipality to assist the municipality to provide housing for the poor

### Finance Management Grant

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 309 503        | -              |
| Current-year receipts                   | 1 600 000      | 1 550 000      |
| Conditions met - transferred to revenue | (1 562 511)    | (1 240 497)    |
|   | <b>346 992</b> | <b>309 503</b> |

The Finance Management Grant is paid by National Treasury to municipalities to help them implement the finance management reforms required by Municipal finance Management Grant (MFMA) 2003

### Municipal Systems Improvement Grant

|   |             |           |
|---|-------------|-----------|
| Current-year receipts                   | 934 000     | 890 000   |
| Conditions met - transferred to revenue | (1 038 198) | (937 674) |
| Over expenditure                        | 104 198     | 47 674    |
|   | -           | -         |

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems

### Expanded Public Works program

|   |                |             |
|---|----------------|-------------|
| Balance unspent at beginning of year    | -              | 197 393     |
| Current-year receipts                   | 1 007 000      | 1 000 000   |
| Conditions met - transferred to revenue | (730 795)      | (1 197 393) |
|   | <b>276 205</b> | -           |

The Expanded Public works Program was allocated to the municipality for environmental and water infrastructure projects

### Other Grants: LG Seta

|   |         |           |
|---|---------|-----------|
| Current-year receipts                   | 1 023   | 195 853   |
| Conditions met - transferred to revenue | (1 023) | (195 853) |
|   | -       | -         |

### Department of Sport, Recreation, Arts & Culture

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 3 985 000   | 3 985 000   |
| Conditions met - transferred to revenue | (3 985 000) | (3 985 000) |
|   | -           | -           |

This Grant was allocated to the municipality for purpose of maintaining and building libraries in the community

### Department of Water Affairs

|                       |           |           |
|-----------------------|-----------|-----------|
| Current-year receipts | 3 561 189 | 6 657 391 |
|-----------------------|-----------|-----------|

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R   | 2014<br>R   |
|--|-------------|-------------|
| <b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b> |             |             |
| Conditions met - transferred to revenue                | (5 223 182) | (9 461 662) |
| Over-expenditure                                       | 1 661 993   | 2 804 271   |
|  | -           | -           |

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

This Grant was transferred to the municipality for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality and refurbishment of water infrastructure.

### Grant: Regional Bulk Infrastructure

|   |             |   |
|---|-------------|---|
| Current-year receipts                   | 1 499 084   | - |
| Conditions met - transferred to revenue | (1 499 084) | - |
|   | -           | - |

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

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

### 26. OTHER INCOME

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Administration/sale of plots | 419 422          | 346 681          |
| Advertising fees             | 664              | 1 210            |
| Building Plans               | 291 175          | 350 097          |
| Car pound fees               | 38 980           | 9 871            |
| Grazing fees                 | 22 056           | 21 538           |
| Weighbridge fees             | -                | 2 349            |
| Sundry revenue               | 535 834          | 1 192 841        |
| Search fees                  | 10 435           | 4 865            |
| Printing and photocopies     | 19 314           | 54 343           |
| Refuse bags and bins         | 14 092           | 16 709           |
| Royalties                    | -                | 41 111           |
| Tow in charges               | -                | 1 660            |
| Vacuun tanker                | -                | 477              |
| Street Painting Fee          | 1 995            | -                |
| Other income 30              | 538 216          | 175 961          |
|                              | <b>1 892 183</b> | <b>2 219 713</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|   | 2015<br>R         | 2014<br>R         |
|---|-------------------|-------------------|
| <b>27. GENERAL EXPENSES</b>               |                   |                   |
| External Audit Fees                       | 12 769 825        | 67 099            |
| Advertising                               | 768 363           | 1 812 827         |
| Internal Audit fees                       | 7 677             | 553 861           |
| Bank charges                              | 343 425           | 899 545           |
| Cleaning and materials                    | 149 767           | 133 155           |
| Commission paid                           | 1 399 944         | 1 691 448         |
| Consulting and professional fees          | 3 281 202         | 3 564 491         |
| Insurance                                 | 1 338 028         | 1 308 078         |
| Project Expenses From Own Funds           | 2 586 821         | 7 167 611         |
| Conferences and seminars                  | 510 325           | 1 168 258         |
| Newsletter                                | -                 | 83                |
| Fuel and oil                              | 3 964 856         | 5 576 003         |
| Interviews and Relocation Expenses        | 282 085           | 196 317           |
| Postage and courier                       | 837 470           | 941 899           |
| Printing and stationery                   | 13 348            | -                 |
| Protective clothing                       | 185 259           | 404 920           |
| License Cards And Licences                | 584 930           | 407 550           |
| Security (Guarding of municipal property) | 2 581 804         | 3 871 788         |
| Telephone and fax                         | 2 738 006         | 2 770 519         |
| Training                                  | 432 140           | 598 259           |
| Travel - local                            | 266 399           | 155 598           |
| Electricity and Water                     | 16 922 086        | 4 625 038         |
| Uniforms                                  | 53 992            | 3 037             |
| Purchases expenses                        | 378 369           | 314 294           |
| Complaints: water and electricity         | 89 151            | 75 041            |
| Administration Charges                    | 2 704 354         | 3 902 137         |
| Valuation expenses                        | 124 035           | 1 562 912         |
| Materials and stores                      | 520 549           | 639 326           |
| General Expenditure incurred from Grants  | 506 063           | -                 |
| Chemicals                                 | 64 030            | 582 160           |
| Convention bureau                         | 820 411           | 327 334           |
| Other expenses                            | 3 025 242         | 1 219 321         |
|   | <b>60 249 956</b> | <b>46 539 909</b> |



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R          | 2014<br>R          |
|--|--------------------|--------------------|
| <b>28. EMPLOYEE RELATED COSTS</b>                                    |                    |                    |
| Basic  | 92 005 466         | 89 808 153         |
| Bonus  | 382 771            | 498 199            |
| Medical aid - company contributions                                  | 6 192 148          | 6 095 960          |
| UIF  | 825 908            | 840 728            |
| SDL  | 1 062 751          | 1 038 218          |
| Leave pay provision charge   | 1 080 641          | 7 520 887          |
| Group life insurance   | 596 447            | 565 598            |
| Defined contribution plans   | 13 582 143         | 13 011 292         |
| Overtime payments  | 7 108 154          | 8 477 756          |
| Transport allowance  | 3 302 418          | 3 278 242          |
| Housing benefits and allowances                                      | 291 721            | 270 439            |
| Inconvenience benefit  | 1 146 707          | 1 124 676          |
| Telephone allowance  | 146 406            | 161 598            |
| Medical aid for retired members                                      | 5 219 784          | 138 330            |
| Industrial Council Levy  | 49 561             | 51 541             |
|  | <b>132 993 026</b> | <b>132 881 617</b> |
| <b>Acting Municipal Manager:</b>                                     |                    |                    |
| M Planga   | 55 300             | 78 303             |
| T Mnguni   | 149 559            | 76 679             |
| B Khumalo  | 109 922            | -                  |
|  | <b>314 781</b>     | <b>154 982</b>     |
| <b>Acting Chief Financial officer:</b>                               |                    |                    |
| L Sizani   | -                  | 11 183             |
| M Crouse   | 30 915             | 164 320            |
| B Khumalo  | 153 062            | 25 521             |
| N Balincwadi-Qaba  | 15 746             | -                  |
|  | <b>199 723</b>     | <b>201 024</b>     |
| <b>Director: Community &amp; Social Services: M Planga</b>           |                    |                    |
| Earnings   | 760 221            | 691 142            |
| Allowances   | 142 504            | 131 643            |
| Company Contributions  | 11 890             | 10 984             |
|  | <b>914 615</b>     | <b>833 769</b>     |
| <b>Director: Corporate Services: M Madlavu</b>                       |                    |                    |
| Earnings   | 752 339            | 658 858            |
| Allowances   | 142 504            | 125 493            |
| Company Contributions  | 11 890             | 10 471             |
|  | <b>906 733</b>     | <b>794 822</b>     |
| <b>Director: Local Economic Development: MJ Meiring</b>              |                    |                    |
| Earnings   | 199 168            | 172 786            |
| Allowances   | 37 936             | 32 911             |
| Company Contributions  | 3 165              | 2 746              |
|  | <b>240 269</b>     | <b>208 443</b>     |
| <b>Director: Technical &amp; Infrastructure Services: ET Myalato</b> |                    |                    |
| Salary   | 442 135            | 658 858            |
| Travel allowances  | 76 049             | 125 493            |
| Company Contributions  | 6 345              | 10 471             |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R         | 2014<br>R        |
|--|-------------------|------------------|
| <b>28. EMPLOYEE RELATED COSTS (continued)</b>  |                   |                  |
| Acting Allowance   | -                 | 84 176           |
|  | <b>524 529</b>    | <b>878 998</b>   |
| <b>Acting Director: Local Economic Development:</b>  |                   |                  |
| T Sindane  | 256 986           | 150 808          |
| <b>Acting Director: Corporate Services</b>   |                   |                  |
| E Mager  | 36 265            | 26 728           |
| <b>Acting Director: Technical Services</b>   |                   |                  |
| D Mlenzana   | 114 456           | -                |
| <b>Municipal Manager: P Naidoo</b>   |                   |                  |
| Earnings   | -                 | 595 257          |
| Allowances   | -                 | 114 199          |
| Company Contributions  | -                 | 8 075            |
|  | -                 | <b>717 531</b>   |
| <b>Chief Financial Officer: D Sahibdeen</b>  |                   |                  |
| Earnings   | -                 | 54 905           |
| Allowances   | -                 | 10 458           |
| Company Contributions  | -                 | 873              |
|  | -                 | <b>66 236</b>    |
| <b>29. REMUNERATION OF COUNCILLORS</b>   |                   |                  |
| Executive Mayor  | 776 232           | 668 891          |
| Councillors allowance  | 6 340 009         | 5 578 668        |
| Councillors cellphone allowance  | 536 072           | 384 225          |
| Councillors' travelling allowance  | 1 805 955         | 1 704 951        |
|  | <b>9 458 268</b>  | <b>8 336 735</b> |
| <b>30. DEPRECIATION AND AMORTISATION</b>   |                   |                  |
| Property, plant and equipment  | 33 443 447        | 36 729 303       |
| <b>31. IMPAIRMENT OF ASSETS</b>  |                   |                  |
| <b>Impairments</b>   |                   |                  |
| Property, plant and equipment  | 11 224 306        | (5 245 900)      |
| Microsoft licences no longer in use as the municipality has now the bulk server licences not the individual. |                   |                  |
| <b>32. FINANCE COSTS</b>   |                   |                  |
| Capitalised  | 6 942 823         | 5 115 191        |
| Other interest paid  | 9 513 065         | 1 221 853        |
|  | <b>16 455 888</b> | <b>6 337 044</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|   | 2015<br>R         | 2014<br>R         |
|---|-------------------|-------------------|
| <b>33. AUDITORS' REMUNERATION</b>             |                   |                   |
| Fees  | 7 677             | 553 861           |
| <b>34. RENTAL OF FACILITIES AND EQUIPMENT</b> |                   |                   |
| <b>Premises</b>                               |                   |                   |
| Venue hire                                    | 85 534            | 85 601            |
| <b>Facilities and equipment</b>               |                   |                   |
| Amenities                                     | 23 660            | 3 223             |
|   | <b>109 194</b>    | <b>88 824</b>     |
| <b>35. CONTRACTED SERVICES</b>                |                   |                   |
| Other Contractors                             | 4 490 552         | 6 917 134         |
| <b>36. GRANTS AND SUBSIDIES PAID</b>          |                   |                   |
| <b>Other subsidies</b>                        |                   |                   |
| Grants in aid                                 | 1 000             | -                 |
| Free basic services                           | 28 647 856        | 20 549 245        |
| Makana Tourism                                | 748 023           | 1 115 853         |
| Internship programme                          | 1 393 859         | 580 975           |
| Donation                                      | -                 | 134               |
| Rhodes  | 17 706            | -                 |
|   | <b>30 808 444</b> | <b>22 246 207</b> |
| <b>37. BULK PURCHASES</b>                     |                   |                   |
| Electricity                                   | 79 293 639        | 67 096 416        |
| Water   | 2 743 120         | -                 |
|   | <b>82 036 759</b> | <b>67 096 416</b> |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R         | 2014<br>R          |
|--|-------------------|--------------------|
| <b>38. CASH GENERATED FROM (USED IN) OPERATIONS</b>    |                   |                    |
| (Deficit) surplus                                      | (11 526 029)      | 12 435 777         |
| <b>Adjustments for:</b>                                |                   |                    |
| Depreciation and amortisation                          | 33 443 447        | 36 729 303         |
| Loss on sale of assets and liabilities                 | (32 062)          | -                  |
| Impairment deficit                                     | 11 224 306        | 18 042 177         |
| Movements in operating lease assets and accruals       | 516               | (11 559)           |
| Movements in retirement benefit assets and liabilities | 17 439 978        | (8 169 847)        |
| Movements in provisions                                | 33 758            | 32 427             |
| Impairment loss on PPE                                 | -                 | (33 727 138)       |
| Prior year error                                       | (63 507 470)      | 789 890            |
| Bad debt write-off                                     | -                 | (934 760)          |
| <b>Changes in working capital:</b>                     |                   |                    |
| Inventories  | (2 420 203)       | (4 415 990)        |
| Receivables from exchange transactions                 | 3 876 323         | 3 272 824          |
| Consumer debtors                                       | (45 177 791)      | 10 885 772         |
| Other receivables from non-exchange transactions       | (14 492 663)      | (11 795 599)       |
| Payables from exchange transactions                    | 135 267 577       | (1 596 424)        |
| VAT  | (1 472 192)       | 15 758 737         |
| Taxes and transfers payable (non exchange)             | 5 972 785         | (34 326 561)       |
| Unspent conditional grants and receipts                | (15 791 516)      | (9 785 131)        |
| Consumer deposits                                      | 23 445            | 91 261             |
|  | <b>52 862 209</b> | <b>(6 724 841)</b> |
| <b>39. COMMITMENTS</b>                                 |                   |                    |
| <b>Authorised capital expenditure</b>                  |                   |                    |
| <b>Already contracted for but not provided for</b>     |                   |                    |
| • Property, plant and equipment                        | 18 771 627        | 67 743 316         |
| <b>Total capital commitments</b>                       |                   |                    |
| Already contracted for but not provided for            | 18 771 627        | 67 743 316         |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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| 2015 | 2014 |
|------|------|
| R    | R    |

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### 40. RISK MANAGEMENT

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements

#### Liquidity risk

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

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

| 2015 | 2014 |
|------|------|
| R    | R    |

### 40. RISK MANAGEMENT (continued)

#### Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

#### Foreign exchange risk

The municipality's operations do not expose it to foreign exchange risk arising from various currency exposures and therefore has no formal policy to hedge volatilities in the interest rate market.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|                                     | 2015<br>R          | 2014<br>R          |
|-------------------------------------|--------------------|--------------------|
| <b>41. UNAUTHORISED EXPENDITURE</b> |                    |                    |
| Opening Balance                     | 193 387 100        | 187 013 261        |
| Unauthorised Expenditure - Current  | 31 781 485         | 6 373 839          |
|                                     | <b>225 168 585</b> | <b>193 387 100</b> |

### 42. FRUITLESS AND WASTEFUL EXPENDITURE

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Opening Balance                    | 1 063 390        | 174 406          |
| Fruitless and Wasteful Expenditure | 5 766 340        | 888 984          |
| Written Off by Council             | (5 760 217)      | -                |
|                                    | <b>1 069 513</b> | <b>1 063 390</b> |

These are as a results of interest paid on overdue payments which are not in compliance with MFMA s65(e) which states that all money owed by the municipality be paid within 30days of receiving the relevant invoice or statement.

### 43. IRREGULAR EXPENDITURE

|   |                   |                   |
|---|-------------------|-------------------|
| Opening balance                           | 81 148 193        | 43 799 316        |
| Add: Irregular Expenditure - current year | 520 749           | 37 348 877        |
|   | <b>81 668 942</b> | <b>81 148 193</b> |

### 44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Audit fees

|                                 |                   |                  |
|---------------------------------|-------------------|------------------|
| Opening balance                 | 8 000 708         | -                |
| Current year subscription / fee | 4 658 948         | 8 000 708        |
|                                 | <b>12 659 656</b> | <b>8 000 708</b> |

Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. The municipality and the Office of Auditor General have entered in a payment agreement plan.

#### PAYE and UIF

|                                 |              |                  |
|---------------------------------|--------------|------------------|
| Opening balance                 | 4 172 091    | -                |
| Current year subscription / fee | 14 128 811   | 13 712 503       |
| Amount paid - current year      | (18 301 295) | (9 540 412)      |
|                                 | <b>(393)</b> | <b>4 172 091</b> |

#### VAT

|             |            |            |
|-------------|------------|------------|
| VAT payable | 12 628 148 | 14 100 340 |
|-------------|------------|------------|

VAT returns have been submitted by the due date throughout the year. VAT is payable on receipts basis. Only when payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has a financial risk policies in place to ensure that payments are effected before due date, however S65(f) of MFMA was grossly contradicted.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  |           |           |
|--|-----------|-----------|
|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|

### 44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### Councillors' arrear consumer accounts

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

| 30 June 2015          | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|-----------------------|--|--|---------------|
| Councillor E Louw     | 8 761                                    | 61 230                                   | 69 991        |
| Councillor L May      | -  | 25 550                                   | 25 550        |
|                       | <b>8 761</b>                             | <b>86 780</b>                            | <b>95 541</b> |
|                       |  |  |               |
| 30 June 2014          | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
| Councillor Peter JZ   | 12                                       | 98                                       | 110           |
| Councillor Plaatjie R | -  | 128                                      | 128           |
| Councillor Masoma NC  | -  | 224                                      | 224           |
| Councillor May LC     | -  | 2 363                                    | 2 363         |
| Councillor Jackson BP | -  | 202                                      | 202           |
| Councillor Louw E     | -  | 4 713                                    | 4 713         |
|                       | <b>12</b>                                | <b>7 728</b>                             | <b>7 740</b>  |

### 45. BUDGET DIFFERENCES

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

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.



# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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| 2015 | 2014 |
|------|------|
| R    | R    |

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### 46. CONTINGENCIES

The known contingent liabilities and assets as at 30 June 2015 are estimated at R47 042 397.37 for liabilities and R1 011 597 for assets.

#### Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown as at 30 June 2015 with the maximum unforeseen liability for the municipality.

Solethu Energy PTY (LTD)// Makana. The claim amount is R151 491.54

Ndlambe Electrical//Makana, The dispute is in relation to the amount claimed. The municipality is likely to pay the claimed amount of R2 086 956.53. Court settlement will be reached held on 31st August 2015

Qezu//Makana. Matter was set down to 22 September 2015 for arbitration. It is likely that the possible outcome will be reinstatement or pay the damages.

Mkhuzo//Makana, Matter is set down at SALGBC 21st September 2015 for arbitration. Criminal matter finalised , Ms Mkhuzo found not guilty. It is likely that municipality will pay or reinstate the employee.

Z. Nontshinga // Makana, Joined as 3rd party in MVA Claim. The municipality is likely to pay R244 500.

Mthombo Resorts//Makana, Breach of lease agreement, non-payment of rent. The amount claimed by Mthombo is R9 300 000.

Mrs Martin//Makana, MVA. Municipality is not likely to pay.

Fourie//Makana, Post-retirement benefits employer stopped 70% contribution Municipality is likely to pay.

Blunden Tours, Summons R22 000.00. The municipality is likely to pay R16 000.

Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on appeal, matter finalised appeal upheld. The claim amount is R100 000. The municipality is likely to win.

Telkom SA // Makana, damages caused to Telkom lines. The claim amount is R56 000.

Ndunyana//Makana, Egazini eviction, applicant appealed, set down matter. The claim amount is R39 196

Give Siyawa//Makana, Breach of Contract. The claim amount is R26 000 000.

Valley Environpreneurs//Makana, professional consulting engineers, letter of demand get information and instructions. The claim amount is R214 830

Bates and Konstant: This claim is with regard to the failure to empty conservation tank to the amount of R300 000. Negotiations in progress.

Urban Dynamics EC Inc //Makana, with regards to Development of land use, business plan non-payment. The claimed amount is R200 000 plus 15.5%.

Durchame Consulting//Makana, the dispute is over an amount owed for assisting in preparing the AFS. The municipality is likely to pay. The claim amount is R1 479 538.96

SAMWU/Makana, MOU strike.

SANTAM//Makana. The claim is R8 889.12

Solethu Eneregy PTY (LTD)//Makana. The claim amount is R151 491.54

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

| 2015<br>R | 2014<br>R |
|-----------|-----------|
|-----------|-----------|

### 46. CONTINGENCIES (continued)

Brinkman Ndayi McALL // Makana municipality: This is a claim with regards to summons issued for the professional services rendered to the amount of R662 169.38. The municipality is likely to pay.  
PinZon Traders 8 PTY (LTD)//Clublink PTY (LTD)// Makana regarding the rezoning matter.

Matthew Theijssen // Makana Municipality: This is a claim with regards to the civil action, unlawful arrest by the traffic officer, Bafo, to the amount of R200 000.

Bonisile Jamela//Makana: This is a claim regarding municipal workers damaging a wall of an applicant to the amount of R3 471.51

Masuku Dube Tiffilin//Makana, non-payment of service, Roads and Stormwater Project Alicdale. The claim amount is R382 155.22.

Lunotech//Makana, supply of Electrical goods. The claim amount is R681 343.80

SALGBC//Makana, Arbitration cost orders. The municipality is likely to pay

WRC//Makana, for the provision of legal services, SAMWU interdict. The claim is R9 620

WS Khethe/Makana, Long Service Bonus from 2013. The attorney have no jurisdiction at this stage. Grievance procedures are not followed by employee.

Green Body Corporate v Makana Municipality: This is a claim with regards to the damages to property done by the municipal truck BPX 663 EC to the amount R6209. It is likely that municipality will pay.

Bonisile Jamela // Makana: This is a claim with regards to municipal workers damaged wall of an applicant to the amount of R3 471.51.

Thembakazi Mpofo//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.  
Thembakazi Mpofo//Makana, Municipal truck collided with her house. The claim amount is R212 262. The municipality is likely to pay.

### Contingent assets

Below is a list of possible assets where the outcome was unknown as at 30 June 2015 with the maximum unforeseen asset for the Municipality:

M Boma v Makana Municipality: This is a claim with regards to benefits not due paid to the employee and the irregular expenditure to the value of R311 597. It is likely that the municipality will receive this money.

Dr Naidoo// Makana. Dismissed 3/3/2014 conciliation failed 2/5/2014 Writ of executions for wasted legal cost dating back 2007, R172 667.06, Recover our costs and R 108 000 paid to Dr Naidoo, and other cost orders against him. Arbitration set down for 13-14 September 2015. Mr Naidoo owes Municipality about R500 000.

Ngcelwane v Makana Municipality: This is a claim relating to the labour matter dismissal, to the value of R200 000. It is likely that the municipality will win.

Bowles // Makana, traffic officer Bafo arrested Mr. Bowles, finalised in our favour but was taken on appeal. The municipality is likely to win.

T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality's impound to the amount of R35 000. It is likely that municipality will win.  
T Bulana// Makana Municipality: This is a claim with regards to the death of a cow in municipality's impound to the amount of R35 000. It is likely that municipality will win.

### 47. RELATED PARTIES

#### Relationships

Relationship

Z.J. Peter

Members of key management

M. Planga

Councillors

Shareholder of Telkom

Directors

Shareholder of Aspen, Nasper, Woolies and LNV

Management Consultants

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  |                           | 2015<br>R                      | 2014<br>R                         |
|--|---------------------------|--------------------------------|-----------------------------------|
| <b>48. Prior period errors</b>             |                           |                                |                                   |
| <b>Statement of Financial Position</b>     |                           |                                |                                   |
|  | Unaudited<br>Note(s)<br>R | Prior year<br>adjustments<br>R | Reclassifying<br>adjustments<br>R |
|  |                           |                                | Restated<br>R                     |
| <b>Assets</b>                              |                           |                                |                                   |
| <b>Current Assets</b>                      |                           |                                |                                   |
| Cash and cash equivalents                  | 1 594 932                 | 434 963                        | 2 029 895                         |
| Inventories                                | 7 864 464                 | 5 257 527                      | 13 121 991                        |
| Finance lease receivables                  | -                         | 121 600                        | 121 600                           |
| Operating lease asset                      | 16 966                    | 11 559                         | 28 525                            |
| Receivables from exchange transactions     | -                         | 6 375 986                      | 6 375 986                         |
| VAT receivable                             | 93 303                    | (93 303)                       | -                                 |
| Receivables from non-exchange transactions | 29 192 104                | 2 921 616                      | 32 113 720                        |
| Consumer debtors                           | 128 393 173               | 1 179 198                      | 129 572 371                       |
| Other asset 1                              | 270 734                   | (270 734)                      | -                                 |
| <b>Non-Current Assets</b>                  |                           |                                |                                   |
| Investment property                        | 201 302 330               | -                              | 201 302 330                       |
| Property, plant and equipment              | 809 686 415               | (3 739 202)                    | 805 947 213                       |
| Intangible assets                          | 948 306                   | -                              | 948 306                           |
| Heritage assets                            | 28 931 049                | -                              | 28 931 049                        |
| Investment                                 | 601 391                   | (439 914)                      | 161 477                           |
|  | <b>1 041 469 491</b>      | <b>(4 179 116)</b>             | <b>1 037 290 375</b>              |
| <b>Total Assets</b>                        | <b>1 208 895 167</b>      | <b>11 759 296</b>              | <b>1 220 654 463</b>              |
| <b>Liabilities</b>                         |                           |                                |                                   |
| <b>Current Liabilities</b>                 |                           |                                |                                   |
| Consumer deposits                          | 2 297 709                 | -                              | 2 297 709                         |
| Employee benefit obligation                | -                         | 9 712 674                      | 9 712 674                         |
| Other financial liabilities                | 3 888 220                 | 121 600                        | 4 009 820                         |
| Provisions                                 | 3 365 434                 | 479 368                        | 3 844 802                         |
| Payables from exchange transactions        | 29 025 700                | 13 700 933                     | 42 726 633                        |
| Taxes and transfers payable (non-exchange) | 44 829 736                | (18 122 510)                   | 26 707 226                        |
| VAT payable                                | 14 168 736                | (68 396)                       | 14 100 340                        |
| Unspent conditional grants and receipts    | 55 185 420                | (34 894 707)                   | 20 290 713                        |
| Bank overdraft                             | 15 466 633                | -                              | 15 466 633                        |
|  | <b>168 227 588</b>        | <b>(29 071 038)</b>            | <b>139 156 550</b>                |
| <b>Non-Current Liabilities</b>             |                           |                                |                                   |
| Employee benefit obligation                | 35 168 209                | 5 153 500                      | 40 321 709                        |
| Other financial liabilities                | 50 116 917                | -                              | 50 116 917                        |
| Provisions                                 | 4 544 799                 | (4 544 799)                    | -                                 |
|  | <b>89 829 925</b>         | <b>608 701</b>                 | <b>90 438 626</b>                 |
| <b>Total Liabilities</b>                   | <b>258 057 513</b>        | <b>(28 462 337)</b>            | <b>229 595 176</b>                |
| <b>Net Assets</b>                          | <b>950 837 654</b>        | <b>40 221 633</b>              | <b>991 059 287</b>                |

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|                          |                    |                   | 2015<br>R | 2014<br>R          |
|--------------------------|--------------------|-------------------|-----------|--------------------|
| <b>Net Assets</b>        |                    |                   |           |                    |
| Reserves                 |                    |                   |           |                    |
| Housing development fund | -                  | 5 427 536         | -         | 5 427 536          |
| Accumulated surplus      | 945 139 379        | 40 492 372        | -         | 985 631 751        |
| <b>Total Net Assets</b>  | <b>945 139 379</b> | <b>45 919 908</b> | <b>-</b>  | <b>991 059 287</b> |

### Consumer Debtors

Correction of group life payments and payment to a supplier.

### Operating lease asset

Accounting for straight lining of operating lease not previously accounted for on straight line basis.

### VAT

Correction on VAT accounting in prior year relating to creditors.

### Receivables from non-exchange transactions

Includes the reversal of accrued interest previously incorrectly captured and the reclassification of creditors with debit balances.

### Accumulated Surplus

Accumulated surplus was restated to account for corrections on assets and liabilities

### Payables from exchange transactions

This is as a result of prior period journals and correction of group life payments and reclassification of creditors with debit balances.

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  |                      | 2015<br>R                      |                                   | 2014<br>R            |
|--|----------------------|--------------------------------|-----------------------------------|----------------------|
| <b>Statement of Financial Performance</b>                                |                      |                                |                                   |                      |
| Note(s)  | Unaudited<br>R       | Prior year<br>adjustments<br>R | Reclassifying<br>adjustments<br>R | Restated<br>R        |
| <b>Revenue</b>   |                      |                                |                                   |                      |
| <b>Revenue from exchange transactions</b>                                |                      |                                |                                   |                      |
| Service charges  | 161 564 120          | -                              | -                                 | 161 564 120          |
| Rental of facilities and equipment                                       | 789 348              | 10 835 646                     | -                                 | 800 907              |
| Interest received (trading)  | 1 287 280            | 9 919 848                      | -                                 | 11 207 128           |
| Agency services  | 877 055              | -                              | -                                 | 877 055              |
| Licences and permits   | 2 596 574            | -                              | -                                 | 2 596 574            |
| Other income   | 2 062 883            | 156 830                        | -                                 | 2 219 713            |
| Interest received - investment   | 385 120              | (385 120)                      | -                                 | -                    |
| <b>Total revenue from exchange transactions</b>                          | <b>169 562 380</b>   | <b>20 527 204</b>              | <b>-</b>                          | <b>179 265 497</b>   |
| <b>Revenue from non-exchange transactions</b>                            |                      |                                |                                   |                      |
| <b>Taxation revenue</b>  |                      |                                |                                   |                      |
| Property rates   | 46 135 174           | -                              | -                                 | 46 153 127           |
| <b>Transfer revenue</b>  |                      |                                |                                   |                      |
| Government grants & subsidies  | 94 429 938           | 21 303 410                     | -                                 | 115 733 348          |
| Fines, Penalties and Forfeits  | 655 711              | -                              | -                                 | 655 711              |
| <b>Total revenue from non-exchange transactions</b>                      | <b>141 220 823</b>   | <b>21 303 410</b>              | <b>-</b>                          | <b>162 542 186</b>   |
| <b>Total revenue</b>   | <b>310 783 203</b>   | <b>41 830 614</b>              | <b>-</b>                          | <b>341 807 683</b>   |
| <b>Expenditure</b>   |                      |                                |                                   |                      |
| Employee related costs   | (124 835 865)        | (8 045 752)                    | -                                 | (132 881 617)        |
| Remuneration of councillors  | (8 336 735)          | -                              | -                                 | (8 336 735)          |
| Depreciation and amortisation  | (36 729 303)         | -                              | -                                 | (36 729 303)         |
| Impairment loss/ Reversal of impairments                                 | (22 509 630)         | 27 755 530                     | -                                 | 5 245 900            |
| Finance costs  | (6 337 044)          | -                              | -                                 | (6 337 044)          |
| Repairs and maintenance  | (12 735 113)         | (41 863)                       | -                                 | (12 776 976)         |
| Bulk purchases   | (67 096 416)         | -                              | -                                 | (67 096 416)         |
| Contracted services  | (6 469 478)          | (447 656)                      | -                                 | (6 917 134)          |
| Grants and subsidies paid  | (22 093 276)         | (152 931)                      | -                                 | (22 246 207)         |
| General Expenses   | (44 135 620)         | (3 544 689)                    | -                                 | (47 680 309)         |
| <b>Total expenditure</b>   | <b>(351 278 480)</b> | <b>15 522 639</b>              | <b>-</b>                          | <b>(335 755 841)</b> |
| <b>Operating surplus</b>   | <b>(40 495 277)</b>  | <b>57 353 253</b>              | <b>-</b>                          | <b>6 051 842</b>     |
| Fair value adjustments   | 5 245 900            | (5 245 900)                    | -                                 | -                    |
| Inventories: (Write-down)/reversal of write-down to net realisable value | -                    | 6 383 935                      | -                                 | 6 383 935            |
|  | <b>5 245 900</b>     | <b>1 138 035</b>               | <b>-</b>                          | <b>6 383 935</b>     |
| <b>Surplus for the year</b>  | <b>(35 249 377)</b>  | <b>58 491 288</b>              | <b>-</b>                          | <b>12 435 777</b>    |
| <b>General Expenses</b>  |                      |                                |                                   |                      |

General expenditure restated to correct expenditure that should have been accounted for in the prior periods

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

|  | 2015<br>R | 2014<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 49. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

During 2014/15 financial year the following goods and services were procured deviated from the provisions of paragraph 12(1)(d)(i) as stated above but in line with paragraph 36 of SCM regulations. The reasons for these deviations from normal SCM regulations were documented and reported to the accounting officer who considered and subsequently approved them:

### 50. BULK ELECTRICITY WATER LOSS

| <b>Electricity: 2015</b>      | Purchased during the year | Sold during the year | Unaccounted for |
|-------------------------------|---------------------------|----------------------|-----------------|
| units (kWh)                   | (65 342 451)              | 111 746 527          | 46 404 076      |
| <b>Calculated as follows:</b> | %                         | Distribution         | Value           |
| Bulk                          | 86.60 %                   | 65 342 451           | 56 605 490      |

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

| <b>Water Losses</b>      | Lost units | Cost per KL | Value   |
|--------------------------|------------|-------------|---------|
| Unaccounted water losses | 497 369    | 1.29        | 642 749 |

Water losses occur due to inter alia, leakages, the tampering of meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters.

| <b>Electricity 2014</b>       | Purchased during the year | Sold during the year | Unaccounted for |
|-------------------------------|---------------------------|----------------------|-----------------|
| units (kWh)                   | 130 373 620               | (65 705 474)         | 64 668 146      |
| <b>Calculated as follows:</b> | %                         | Distribution         | Value           |
| Bulk                          | 98.40 %                   | 64 668 146           | 40 412 664      |

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

| <b>Water Losses</b>      | Lost units | Cost per KL | Value     |
|--------------------------|------------|-------------|-----------|
| Unaccounted water losses | (871 633)  | 0.14        | (120 245) |

Water losses occur due to inter alia, leakages, the tampering of meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The treated water was only recorded from October 2013 hence the outcome as indicated above.

### 51. EVENTS AFTER THE REPORTING DATE

There were no adjusting events occurred after 30 June 2015

#### Non- Adjusting events

# Makana Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

---

| 2015 | 2014 |
|------|------|
| R    | R    |

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### 51. EVENTS AFTER THE REPORTING DATE (continued)

Municipality had the new administrator, Mr S. Gomomo appointed and was introduced by the provincial department of Co-operative Governance (EC CoGTA) in July 2015 to substitute the previous administrator, Ms P. Yako who had her contract expired mid July 2015.

The following were the new contingent liabilities:

- Makana //Unity League regarding a compliance order. The claim amount is R120 000. The claim was lodged on 07 July 2015. The opposition withdrawn.
- Agric EC// Makana. The compliance order claim was lodged on 05 August 2015 and the claim amount is R120 000. The matter opposed.
- Min of Police // Makana. The damages claim of R4 900 was lodged on 31 July 2015. The matter was defended.
- Bigen Africa // Makana. The claim of Law suit for drawing up business plan of R200 000 was lodged on 17 august 2015.
  
- Mr Notyawa // Makana. The matter is then reviewed and set aside. The claim amount is R120 000 and was lodged on 23 July 2015. The matter is opposed

There were no other non-adjusting events apart from the one mentioned above, in reaching such conclusion, the following were considered:

- That there were no new commitments requiring disclosure, borrowings or guarantees that the municipality has entered into or no change in conditions to ones entered in to before year end
- That no acquisitions or sale of major capital assets
- That there were no new agreements entered into to increase liabilities or planned to be entered into.
- That there were no assets have been appropriated or destroyed, for example, by fire or flood
- That there were no events that have occurred which are relevant to the measurement of estimates or provisions made in the financial statements.
- That there were no changes in accounting policies or are likely to change that will bring into question the appropriateness of accounting policies used in the financial statements.
- That there were no new events that have occurred that are relevant to the recoverability of previous impaired assets.
- That there were no events that have occurred that are relevant to the entity's ability to fulfill its program objectives.
- That there were no events that have occurred that may impact the presentation of any performance information in financial statements.

The Executive Mayor resigned from Council on the 27th August 2015 and the Speaker on the 28th but remains an ordinary council member and the MPAC chair also resigned as the the chairperson but also remained an ordinary council. Subsequently this led to Council reshuffle, of note is the new Executive Mayor, Speaker and Mayoral Committee were elected on the 28th of August 2015.

**Makana Municipality  
Appendix A**

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

| <b>Loan Number</b>                      | <b>Redeemable</b> | <b>Balance at 30 June 2014</b> | <b>Capitalisation during the period</b> | <b>Redeemed written off during the period</b> | <b>Balance at 30 June 2015</b> | <b>Carrying Value of Property, Plant &amp; Equip Rand</b> | <b>Other Costs in accordance with the MFMA Rand</b> |
|---|-------------------|--------------------------------|---|---|--------------------------------|---|---|
|   |                   | <b>Rand</b>                    | <b>Rand</b>                             | <b>Rand</b>                                   | <b>Rand</b>                    | <b>Rand</b>   | <b>Rand</b>   |
| <b>Loan Stock</b>                       |                   |                                |   |   |                                |   |   |
| <b>Structured loans</b>                 |                   |                                |   |   |                                |   |   |
| <b>Funding facility</b>                 |                   |                                |   |   |                                |   |   |
| <b>Development Bank of South Africa</b> |                   |                                |   |   |                                |   |   |
| Product 61001005                        | 103886/1          | 2031/06/30                     | 26 088 266                              | 5 556 072                                     | 1 630 517                      | 30 013 821  | -   |
| Product 61006863                        | 103886/2          | 2031/06/30                     | 22 360 799                              | 5 480 927                                     | 1 121 438                      | 26 720 288  | -   |
|   |                   |                                | <b>48 449 065</b>                       | <b>11 036 999</b>                             | <b>2 751 955</b>               | <b>56 734 109</b>   | <b>-</b>  |
| <b>Bonds</b>                            |                   |                                |   |   |                                |   |   |
| <b>Other loans</b>                      |                   |                                |   |   |                                |   |   |
| <b>Lease liability</b>                  |                   |                                |   |   |                                |   |   |
| Konika Minolta                          | Various           | Various                        | 267 513                                 | -   | 267 513                        | -   | -   |
| Panasonic                               | Various           | Various                        | 15 522                                  | -   | 15 522                         | -   | -   |
|   |                   |                                | <b>283 035</b>                          | <b>-</b>                                      | <b>283 035</b>                 | <b>-</b>  | <b>-</b>  |
| <b>Annuity loans</b>                    |                   |                                |   |   |                                |   |   |
| <b>Government loans</b>                 |                   |                                |   |   |                                |   |   |
| <b>Total external loans</b>             |                   |                                |   |   |                                |   |   |
| Development Bank of South Africa        |                   |                                | 48 449 065                              | 11 036 999                                    | 2 751 955                      | 56 734 109  | -   |
| Lease liability                         |                   |                                | 283 035                                 | -   | 283 035                        | -   | -   |
|   |                   |                                | <b>48 732 100</b>                       | <b>11 036 999</b>                             | <b>3 034 990</b>               | <b>56 734 109</b>   | <b>-</b>  |



**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

|   | Opening Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand   | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|-------------------------|-------------------|---------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>   |                         |                   |                     |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)                                      | 319 236 991             | -                 | (35 304 340)        | -                 | -                    | (174 385 410)                       | 109 547 241                | -                          | -                 | -                 | -                    | -                       | -                          | 109 547 241               |
| Buildings (Separate for AFS purposes)                                 | 361 128 790             | 80 717            | (59 817 960)        | -                 | -                    | (213 334 200)                       | 88 057 347                 | (47 618 214)               | -                 | 33 727 138        | (3 611 156)          | -                       | (17 502 232)               | 70 555 115                |
|   | <b>680 365 781</b>      | <b>80 717</b>     | <b>(95 122 300)</b> | <b>-</b>          | <b>-</b>             | <b>(387 719 610)</b>                | <b>197 604 588</b>         | <b>(47 618 214)</b>        | <b>-</b>          | <b>33 727 138</b> | <b>(3 611 156)</b>   | <b>-</b>                | <b>(17 502 232)</b>        | <b>180 102 356</b>        |
| <b>Infrastructure</b>   |                         |                   |                     |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Roads, Pavements & Bridges  | 261 385 439             | -                 | 7 282 097           | -                 | -                    | -                                   | 268 667 536                | (47 309 071)               | -                 | -                 | (10 998 429)         | -                       | (58 307 500)               | 210 360 036               |
| Sanitation  | 1 829 490               | -                 | 778 281             | -                 | -                    | -                                   | 2 607 771                  | (304 949)                  | -                 | -                 | (77 268)             | -                       | (382 217)                  | 2 225 554                 |
| Water Supply and Reticulation   | 109 982 524             | 439 742           | 32 405 158          | -                 | -                    | -                                   | 142 827 424                | (19 256 294)               | -                 | -                 | (4 716 324)          | -                       | (23 972 618)               | 118 854 806               |
| Sewerage and Reticulation   | 117 956 390             | 22 885            | 6 494 190           | -                 | -                    | -                                   | 124 473 465                | (18 131 823)               | -                 | -                 | (4 345 694)          | -                       | (22 477 517)               | 101 995 948               |
| Transportation (Airports, Car Parks,<br>Bus Terminals and Taxi Ranks) | 3 954 500               | -                 | -                   | -                 | -                    | -                                   | 3 954 500                  | (993 656)                  | -                 | -                 | (248 414)            | -                       | (1 242 070)                | 2 712 430                 |
| Electricity   | 156 737 191             | -                 | 184 385             | -                 | -                    | -                                   | 156 921 576                | (26 698 676)               | -                 | -                 | (7 044 493)          | -                       | (33 743 169)               | 123 178 407               |
|   | <b>651 845 534</b>      | <b>462 627</b>    | <b>47 144 111</b>   | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>699 452 272</b>         | <b>(112 694 469)</b>       | <b>-</b>          | <b>-</b>          | <b>(27 430 622)</b>  | <b>-</b>                | <b>(140 125 091)</b>       | <b>559 327 181</b>        |
| <b>Community Assets</b>   |                         |                   |                     |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Park and Recreational facilities                                      | 39 824 098              | 386 582           | -                   | -                 | -                    | 385 963                             | 40 596 643                 | (5 605 729)                | -                 | -                 | (1 410 752)          | -                       | (7 016 481)                | 33 580 162                |
| Cemeteries  | 9 697 189               | -                 | -                   | -                 | -                    | -                                   | 9 697 189                  | (1 904 412)                | -                 | -                 | (472 727)            | -                       | (2 377 139)                | 7 320 050                 |
|   | <b>49 521 287</b>       | <b>386 582</b>    | <b>-</b>            | <b>-</b>          | <b>-</b>             | <b>385 963</b>                      | <b>50 293 832</b>          | <b>(7 510 141)</b>         | <b>-</b>          | <b>-</b>          | <b>(1 883 479)</b>   | <b>-</b>                | <b>(9 393 620)</b>         | <b>40 900 212</b>         |

**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

|                               | Opening Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|-------------------------------|-------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>        |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Conservation area             | 20 468 850              | 3 161 400         | -                 | -                 | -                    | -                                   | 23 630 250                 | -                          | -                 | -                 | -                    | -                       | -                          | 23 630 250                |
| historical and Memorial sites | 5 300 799               | -                 | -                 | -                 | -                    | -                                   | 5 300 799                  | -                          | -                 | -                 | -                    | -                       | -                          | 5 300 799                 |
|                               | <b>25 769 649</b>       | <b>3 161 400</b>  | -                 | -                 | -                    | -                                   | <b>28 931 049</b>          | -                          | -                 | -                 | -                    | -                       | -                          | <b>28 931 049</b>         |
| <b>Specialised vehicles</b>   |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Emergency Vehicle             | 4 346 594               | -                 | -                 | -                 | -                    | -                                   | 4 346 594                  | (1 231 696)                | -                 | -                 | (252 051)            | -                       | (1 483 747)                | 2 862 847                 |
| Specialised Vehicles          | 7 004 241               | -                 | -                 | -                 | -                    | -                                   | 7 004 241                  | (842 540)                  | -                 | -                 | (373 560)            | -                       | (1 216 100)                | 5 788 141                 |
|                               | <b>11 350 835</b>       | -                 | -                 | -                 | -                    | -                                   | <b>11 350 835</b>          | <b>(2 074 236)</b>         | -                 | -                 | <b>(625 611)</b>     | -                       | <b>(2 699 847)</b>         | <b>8 650 988</b>          |
| <b>Other assets</b>           |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| General vehicles              | 19 042 812              | 248 060           | -                 | -                 | -                    | -                                   | 19 290 872                 | (6 527 044)                | -                 | -                 | (1 388 879)          | -                       | (7 915 923)                | 11 374 949                |
| Plant & equipment             | 6 206 902               | 72 728            | -                 | -                 | -                    | -                                   | 6 279 630                  | (1 559 497)                | -                 | -                 | (300 487)            | -                       | (1 859 984)                | 4 419 646                 |
| Computer Equipment            | 3 587 960               | 67 145            | -                 | -                 | -                    | -                                   | 3 655 105                  | (1 333 475)                | -                 | -                 | (717 101)            | -                       | (2 050 576)                | 1 604 529                 |
| Furniture & Fittings          | 3 547 608               | -                 | -                 | -                 | -                    | -                                   | 3 547 608                  | (1 622 211)                | -                 | -                 | (509 068)            | -                       | (2 131 279)                | 1 416 329                 |
| Office Equipment              | 3 156 383               | 134 137           | -                 | -                 | -                    | -                                   | 3 290 520                  | (2 648 985)                | -                 | -                 | (107 825)            | -                       | (2 756 810)                | 533 710                   |
| Emergency rescue equipment    | 209 685                 | -                 | -                 | -                 | -                    | -                                   | 209 685                    | (88 046)                   | -                 | -                 | (29 934)             | -                       | (117 980)                  | 91 705                    |
|                               | <b>35 751 350</b>       | <b>522 070</b>    | -                 | -                 | -                    | -                                   | <b>36 273 420</b>          | <b>(13 779 258)</b>        | -                 | -                 | <b>(3 053 294)</b>   | -                       | <b>(16 832 552)</b>        | <b>19 440 868</b>         |

**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

|   | Opening Balance Rand | Additions Rand   | Disposals Rand      | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand    | Depreciation Rand   | Impairment loss Rand | Closing Balance Rand | Carrying value Rand  |
|---|----------------------|------------------|---------------------|----------------|-------------------|-------------------------------|----------------------|----------------------|----------------|-------------------|---------------------|----------------------|----------------------|----------------------|
| <b>Total property plant and equipment</b> |                      |                  |                     |                |                   |                               |                      |                      |                |                   |                     |                      |                      |                      |
| Land and buildings                        | 680 365 781          | 80 717           | (95 122 300)        | -              | -                 | (387 719 610)                 | 197 604 588          | (47 618 214)         | -              | 33 727 138        | (3 611 156)         | -                    | (17 502 232)         | 180 102 356          |
| Infrastructure                            | 651 845 534          | 462 627          | 47 144 111          | -              | -                 | -                             | 699 452 272          | (112 694 469)        | -              | -                 | (27 430 622)        | -                    | (140 125 091)        | 559 327 181          |
| Community Assets                          | 49 521 287           | 386 582          | -                   | -              | -                 | 385 963                       | 50 293 832           | (7 510 141)          | -              | -                 | (1 883 479)         | -                    | (9 393 620)          | 40 900 212           |
| Heritage assets                           | 25 769 649           | 3 161 400        | -                   | -              | -                 | -                             | 28 931 049           | -                    | -              | -                 | -                   | -                    | -                    | 28 931 049           |
| Specialised vehicles                      | 11 350 835           | -                | -                   | -              | -                 | -                             | 11 350 835           | (2 074 236)          | -              | -                 | (625 611)           | -                    | (2 699 847)          | 8 650 988            |
| Other assets                              | 35 751 350           | 522 070          | -                   | -              | -                 | -                             | 36 273 420           | (13 779 258)         | -              | -                 | (3 053 294)         | -                    | (16 832 552)         | 19 440 868           |
|   | <b>1 454 604 436</b> | <b>4 613 396</b> | <b>(47 978 189)</b> | <b>-</b>       | <b>-</b>          | <b>(387 333 647)</b>          | <b>1 023 905 996</b> | <b>(183 676 318)</b> | <b>-</b>       | <b>33 727 138</b> | <b>(36 604 162)</b> | <b>-</b>             | <b>(186 553 342)</b> | <b>837 352 654</b>   |
| <b>Agricultural/Biological assets</b>     |                      |                  |                     |                |                   |                               |                      |                      |                |                   |                     |                      |                      |                      |
| <b>Intangible assets</b>                  |                      |                  |                     |                |                   |                               |                      |                      |                |                   |                     |                      |                      |                      |
| Computers - software & programming        | 506 827              | 631 054          | -                   | -              | -                 | -                             | 1 137 881            | (58 911)             | -              | -                 | (130 664)           | -                    | (189 575)            | 948 306              |
|   | <b>506 827</b>       | <b>631 054</b>   | <b>-</b>            | <b>-</b>       | <b>-</b>          | <b>-</b>                      | <b>1 137 881</b>     | <b>(58 911)</b>      | <b>-</b>       | <b>-</b>          | <b>(130 664)</b>    | <b>-</b>             | <b>(189 575)</b>     | <b>948 306</b>       |
| <b>Investment properties</b>              |                      |                  |                     |                |                   |                               |                      |                      |                |                   |                     |                      |                      |                      |
| Investment Property Building              | 19 083 031           | -                | -                   | -              | 5 245 000         | (4 567 540)                   | 19 760 491           | (1 578 201)          | -              | -                 | 1 578 201           | -                    | -                    | 19 760 491           |
| Land                                      | 209 377 320          | -                | -                   | -              | -                 | (27 836 380)                  | 181 540 940          | -                    | -              | -                 | -                   | -                    | -                    | 181 540 940          |
|   | <b>228 460 351</b>   | <b>-</b>         | <b>-</b>            | <b>-</b>       | <b>5 245 000</b>  | <b>(32 403 920)</b>           | <b>201 301 431</b>   | <b>(1 578 201)</b>   | <b>-</b>       | <b>-</b>          | <b>1 578 201</b>    | <b>-</b>             | <b>-</b>             | <b>201 301 431</b>   |
| <b>Total</b>                              |                      |                  |                     |                |                   |                               |                      |                      |                |                   |                     |                      |                      |                      |
| Land and buildings                        | 680 365 781          | 80 717           | (95 122 300)        | -              | -                 | (387 719 610)                 | 197 604 588          | (47 618 214)         | -              | 33 727 138        | (3 611 156)         | -                    | (17 502 232)         | 180 102 356          |
| Infrastructure                            | 651 845 534          | 462 627          | 47 144 111          | -              | -                 | -                             | 699 452 272          | (112 694 469)        | -              | -                 | (27 430 622)        | -                    | (140 125 091)        | 559 327 181          |
| Community Assets                          | 49 521 287           | 386 582          | -                   | -              | -                 | 385 963                       | 50 293 832           | (7 510 141)          | -              | -                 | (1 883 479)         | -                    | (9 393 620)          | 40 900 212           |
| Heritage assets                           | 25 769 649           | 3 161 400        | -                   | -              | -                 | -                             | 28 931 049           | -                    | -              | -                 | -                   | -                    | -                    | 28 931 049           |
| Specialised vehicles                      | 11 350 835           | -                | -                   | -              | -                 | -                             | 11 350 835           | (2 074 236)          | -              | -                 | (625 611)           | -                    | (2 699 847)          | 8 650 988            |
| Other assets                              | 35 751 350           | 522 070          | -                   | -              | -                 | -                             | 36 273 420           | (13 779 258)         | -              | -                 | (3 053 294)         | -                    | (16 832 552)         | 19 440 868           |
| Intangible assets                         | 506 827              | 631 054          | -                   | -              | -                 | -                             | 1 137 881            | (58 911)             | -              | -                 | (130 664)           | -                    | (189 575)            | 948 306              |
| Investment properties                     | 228 460 351          | -                | -                   | -              | 5 245 000         | (32 403 920)                  | 201 301 431          | (1 578 201)          | -              | -                 | 1 578 201           | -                    | -                    | 201 301 431          |
|   | <b>1 683 571 614</b> | <b>5 244 450</b> | <b>(47 978 189)</b> | <b>-</b>       | <b>5 245 000</b>  | <b>(419 737 567)</b>          | <b>1 226 345 308</b> | <b>(185 313 430)</b> | <b>-</b>       | <b>33 727 138</b> | <b>(35 156 625)</b> | <b>-</b>             | <b>(186 742 917)</b> | <b>1 039 602 391</b> |



**Makana Municipality  
Appendix D**

**Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year**

| <b>Actual<br/>Income<br/>Rand</b>                 | <b>Actual<br/>Expenditure<br/>Rand</b> | <b>Surplus<br/>/(Deficit)<br/>Rand</b> |   | <b>Actual<br/>Income<br/>Rand</b> | <b>Actual<br/>Expenditure<br/>Rand</b> | <b>Surplus<br/>/(Deficit)<br/>Rand</b> |
|---|--|--|---|-----------------------------------|--|--|
| <b>Municipality</b>                               |  |  |   |                                   |  |  |
| 73 717 450  | 76 760 679                             | (3 043 229)                            | Executive & Council/Mayor and Council                 | 89 749 340                        | 90 655 781                             | (906 441)                              |
| 4 690 584   | 34 830 224                             | (30 139 640)                           | Finance & Admin/Finance                               | 23 313 944                        | 44 921 175                             | (21 607 231)                           |
| 2 455 367   | 9 682 332                              | (7 226 965)                            | Planning and Development/Economic<br>Development/Plan | 641 175                           | 7 425 372                              | (6 784 197)                            |
| 1 793 482   | 2 248 633                              | (455 151)                              | Health/Clinics  | 1 740 481                         | 2 416 155                              | (675 674)                              |
| 2 682 147   | 9 599 734                              | (6 917 587)                            | Comm. & Social/Libraries and archives                 | 4 509 485                         | 10 152 116                             | (5 642 631)                            |
| -   | 44 549                                 | (44 549)                               | Housing   | -                                 | 48 370                                 | (48 370)                               |
| 711 252   | 15 770 215                             | (15 058 963)                           | Public Safety/Police                                  | 203 602                           | 16 649 798                             | (16 446 196)                           |
| 3 784 082   | 8 697 763                              | (4 913 681)                            | Sport and Recreation                                  | 42 986                            | 8 903 189                              | (8 860 203)                            |
| 1 021 538   | 4 442 307                              | (3 420 769)                            | Environmental Protection/Pollution<br>Control         | 401 835                           | 2 956 573                              | (2 554 738)                            |
| 53 745 674  | 34 067 920                             | 19 677 754                             | Waste Water Management/Sewerage                       | 54 621 712                        | 35 129 218                             | 19 492 494                             |
| 9 803 403   | 12 613 524                             | (2 810 121)                            | Road Transport/Roads                                  | 3 675 640                         | 13 323 667                             | (9 648 027)                            |
| 72 354 147  | 44 417 381                             | 27 936 766                             | Water/Water Distribution                              | 90 066 479                        | 49 456 643                             | 40 609 836                             |
| 100 107 967                                       | 79 955 688                             | 20 152 279                             | Electricity /Electricity Distribution                 | 100 673 044                       | 106 891 174                            | (6 218 130)                            |
| 3 156   | 251 653                                | (248 497)                              | Other/Air Transport                                   | 2 544                             | 252 966                                | (250 422)                              |
| <b>326 870 249</b>                                | <b>333 382 602</b>                     | <b>(6 512 353)</b>                     |   | <b>369 642 267</b>                | <b>389 182 197</b>                     | <b>(19 539 930)</b>                    |
| <b>Municipal Owned Entities<br/>Other charges</b> |  |  |   |                                   |  |  |
| 326 870 249                                       | 333 382 602                            | (6 512 353)                            | Municipality  | 369 642 267                       | 389 182 197                            | (19 539 930)                           |
| <b>326 870 249</b>                                | <b>333 382 602</b>                     | <b>(6 512 353)</b>                     | <b>Total</b>  | <b>369 642 267</b>                | <b>389 182 197</b>                     | <b>(19 539 930)</b>                    |

**Makana Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

|  | <b>Current year<br/>2014<br/>Act. Bal.</b> | <b>Current year<br/>2014<br/>Adjusted<br/>budget<br/>Rand</b> | <b>Variance<br/>Rand</b> | <b>Var</b>    | <b>Explanation of Significant Variances<br/>greater than 10% versus Budget</b> |
|--|--|---|--------------------------|---------------|--|
| <b>Revenue</b>                                     |  |   |                          |               |  |
| Service charges                                    | 196 610 041                                | 225 367 348   | (28 757 307)             | (12.8)        |  |
| Rental of facilities and equipment                 | 1 023 409                                  | 1 123 390   | (99 981)                 | (8.9)         |  |
| Interest received (trading)                        | 12 494 247                                 | 9 600 000   | 2 894 247                | 30.1          |  |
| Agency services                                    | 850 378                                    | 1 344 774   | (494 396)                | (36.8)        |  |
| Licences and permits                               | 2 344 416                                  | 2 430 478   | (86 062)                 | (3.5)         |  |
| Other income - (rollup)                            | 1 892 183                                  | 2 387 881   | (495 698)                | (20.8)        |  |
|  | <b>215 214 674</b>                         | <b>242 253 871</b>  | <b>(27 039 197)</b>      | <b>(11.2)</b> |  |
| <b>Expenses</b>                                    |  |   |                          |               |  |
| Personnel  | (132 993 027)                              | (136 294 446)   | 3 301 419                | (2.4)         |  |
| Remuneration of councillors                        | (9 458 268)                                | (9 310 068)   | (148 200)                | 1.6           |  |
| Administration                                     | (5 845)                                    | -   | (5 845)                  | -             |  |
| Depreciation                                       | (33 443 447)                               | (5 242 145)   | (28 201 302)             | 538.0         |  |
| Impairments  | (11 224 306)                               | (16 255 107)  | 5 030 801                | (30.9)        |  |
| Finance costs                                      | (16 455 888)                               | -   | (16 455 888)             | -             |  |
| Repairs and maintenance - General                  | (10 136 457)                               | (22 189 142)  | 12 052 685               | (54.3)        |  |
| Bulk purchases                                     | (82 036 759)                               | (79 623 734)  | (2 413 025)              | 3.0           |  |
| Contracted Services                                | (4 490 553)                                | (3 754 360)   | (736 193)                | 19.6          |  |
| Transfers and Subsidies                            | (30 808 444)                               | (40 938 302)  | 10 129 858               | (24.7)        |  |
| General Expenses                                   | (61 260 832)                               | (48 074 769)  | (13 186 063)             | 27.4          |  |
|  | <b>(392 313 826)</b>                       | <b>(361 682 073)</b>  | <b>(30 631 753)</b>      | <b>8.5</b>    |  |
| <b>Other revenue and costs</b>                     |  |   |                          |               |  |
| Gain or loss on disposal of assets and liabilities | 32 062                                     | -   | 32 062                   | -             |  |
|  | <b>32 062</b>                              | <b>-</b>  | <b>32 062</b>            | <b>-</b>      |  |
| <b>Net surplus/ (deficit) for the year</b>         | <b>(177 067 090)</b>                       | <b>(119 428 202)</b>  | <b>(57 638 888)</b>      | <b>48.3</b>   |  |

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

| Name of Grants                      | Name of organ of state or municipal entity | Quarterly Receipts |        |        |        |        | Quarterly Expenditure |        |        |        |        | Grants and Subsidies delayed / withheld |     |     |     |     | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|-------------------------------------|--|--------------------|--------|--------|--------|--------|-----------------------|--------|--------|--------|--------|---|-----|-----|-----|-----|---------------------------------------|--|--------------------------|
|                                     |  | Jun                | Sep    | Dec    | Mar    | Jun    | Jun                   | Sep    | Dec    | Mar    | Jun    | Jun                                     | Sep | Dec | Mar | Jun |                                       |  |                          |
| Municipal Infrastructure Grant      | National Treasury                          | -                  | 90 000 | -      | -      | 88 448 | -                     | 79 400 | 77 989 | 06 255 | 76 202 | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
| Finance Management Grant            | National Treasury                          | -                  | 00 000 | -      | -      | -      | -                     | 38 881 | 56 862 | 61 959 | 04 808 | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
| Municipal Systems Improvement Grant | National Treasury                          | -                  | -      | -      | -      | -      | -                     | -      | -      | -      | -      | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
| Expanded Public Works Programme     | National Treasury                          | -                  | 34 000 | -      | -      | -      | -                     | -      | 34 466 | -      | -      | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
| Regional Bulk Infrastructure Grant  | National Treasury                          | -                  | 03 000 | 02 000 | 02 000 | -      | -                     | 42 418 | 86 667 | 98 262 | 03 448 | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
|                                     |  | -                  | -      | -      | -      | 99 084 | -                     | -      | -      | -      | -      | -                                       | -   | -   | -   | -   | Yes                                   |  |                          |
|                                     |  | -                  | 27 000 | 02 000 | 02 000 | 87 532 | -                     | 60 699 | 55 984 | 66 476 | 84 458 | -                                       | -   | -   | -   | -   |                                       |  |                          |

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

# Makana Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

|  | 2015/2014          |   |                          |  |   |                    |                    | 2014/2013                |   |                                     |  |                                   |   |                         |                          |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome     | Unauthorised expenditure | Variance of Actual Outcome against Budget Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|  | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand               | Rand                     | Rand  | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| <b>Revenue - Standard</b>                  |                    |   |                          |  |   |                    |                    |                          |   |                                     |  |                                   |   |                         |                          |
| <b>Governance and administration</b>       | <b>95 935 952</b>  | <b>95 073 759</b>                                   | <b>191 009 711</b>       | -  |   | <b>191 009 711</b> | <b>65 546 270</b>  |                          | <b>(125 463 441)</b>                                  | <b>34 %</b>                         | <b>68 %</b>                            |                                   |   |                         | <b>61 608 385</b>        |
| Executive and council                      | 5 669 485          | 4 869 210   | 10 538 695               | -  |   | 10 538 695         | 4 379 739          |                          | (6 158 956)   | 42 %                                | 77 %                                   |                                   |   |                         | 5 394 415                |
| Budget and treasury office                 | 86 579 359         | 86 625 303  | 173 204 662              | -  |   | 173 204 662        | 52 570 481         |                          | (120 634 181)   | 30 %                                | 61 %                                   |                                   |   |                         | 55 666 351               |
| Corporate services                         | 3 687 108          | 3 579 246   | 7 266 354                | -  |   | 7 266 354          | 8 596 050          |                          | 1 329 696   | 118 %                               | 233 %                                  |                                   |   |                         | 547 619                  |
| <b>Community and public safety</b>         | <b>6 642 887</b>   | <b>5 578 820</b>                                    | <b>12 221 707</b>        | -  |   | <b>12 221 707</b>  | <b>3 712 290</b>   |                          | <b>(8 509 417)</b>                                    | <b>30 %</b>                         | <b>56 %</b>                            |                                   |   |                         | <b>9 234 076</b>         |
| Community and social services              | 4 187 427          | 2 975 913   | 7 163 340                | -  |   | 7 163 340          | 615 123            |                          | (6 548 217)   | 9 %                                 | 15 %                                   |                                   |   |                         | 3 573 252                |
| Sport and recreation                       | 10 500             | 9 533   | 20 033                   | -  |   | 20 033             | 454 211            |                          | 434 178   | 2 267 %                             | 4 326 %                                |                                   |   |                         | 120 996                  |
| Public safety                              | 1 104 205          | 1 190 188   | 2 294 393                | -  |   | 2 294 393          | 849 474            |                          | (1 444 919)   | 37 %                                | 77 %                                   |                                   |   |                         | 3 308 392                |
| Housing                                    | -                  | -   | -                        | -  |   | -                  | -                  |                          | -   | DIV/0 %                             | DIV/0 %                                |                                   |   |                         | 914 592                  |
| Health                                     | 1 340 755          | 1 403 186   | 2 743 941                | -  |   | 2 743 941          | 1 793 482          |                          | (950 459)   | 65 %                                | 134 %                                  |                                   |   |                         | 1 316 844                |
| <b>Economic and environmental services</b> | <b>9 334 278</b>   | <b>(950 249)</b>                                    | <b>8 384 029</b>         | -  |   | <b>8 384 029</b>   | <b>4 492 511</b>   |                          | <b>(3 891 518)</b>                                    | <b>54 %</b>                         | <b>48 %</b>                            |                                   |   |                         | <b>14 060 241</b>        |
| Planning and development                   | 5 728 970          | (5 338 970)   | 390 000                  | -  |   | 390 000            | 366 575            |                          | (23 425)  | 94 %                                | 6 %                                    |                                   |   |                         | 1 578 273                |
| Road transport                             | 3 585 308          | 3 667 601   | 7 252 909                | -  |   | 7 252 909          | 4 104 398          |                          | (3 148 511)   | 57 %                                | 114 %                                  |                                   |   |                         | 11 460 430               |
| Environmental protection                   | 20 000             | 721 120   | 741 120                  | -  |   | 741 120            | 21 538             |                          | (719 582)   | 3 %                                 | 108 %                                  |                                   |   |                         | 1 021 538                |
| <b>Trading services</b>                    | <b>277 445 458</b> | <b>24 205 237</b>                                   | <b>301 650 695</b>       | -  |   | <b>301 650 695</b> | <b>246 580 498</b> |                          | <b>(55 070 197)</b>                                   | <b>82 %</b>                         | <b>89 %</b>                            |                                   |   |                         | <b>250 339 488</b>       |
| Electricity                                | 131 223 458        | (3 122 346)   | 128 101 112              | -  |   | 128 101 112        | 117 379 200        |                          | (10 721 912)  | 92 %                                | 89 %                                   |                                   |   |                         | 108 731 588              |
| Water                                      | 83 502 873         | 23 292 287  | 106 795 160              | -  |   | 106 795 160        | 81 909 927         |                          | (24 885 233)  | 77 %                                | 98 %                                   |                                   |   |                         | 74 961 902               |
| Waste water management                     | 37 380 630         | 3 738 063   | 41 118 693               | -  |   | 41 118 693         | 21 854 538         |                          | (19 264 155)  | 53 %                                | 58 %                                   |                                   |   |                         | 46 240 390               |
| Waste management                           | 25 338 497         | 297 233   | 25 635 730               | -  |   | 25 635 730         | 25 436 833         |                          | (198 897)   | 99 %                                | 100 %                                  |                                   |   |                         | 20 405 608               |
| <b>Other</b>                               | <b>10 000</b>      | <b>13 416</b>                                       | <b>23 416</b>            | -  |   | <b>23 416</b>      | <b>2 544</b>       |                          | <b>(20 872)</b>                                       | <b>11 %</b>                         | <b>25 %</b>                            |                                   |   |                         | -                        |
| Other                                      | 10 000             | 13 416  | 23 416                   | -  |   | 23 416             | 2 544              |                          | (20 872)  | 11 %                                | 25 %                                   |                                   |   |                         | 22 093 030               |
| <b>Total Revenue - Standard</b>            | <b>389 368 575</b> | <b>123 920 983</b>                                  | <b>513 289 558</b>       | -  |   | <b>513 289 558</b> | <b>320 334 113</b> |                          | <b>(192 955 445)</b>                                  | <b>62 %</b>                         | <b>82 %</b>                            |                                   |   |                         | <b>357 335 220</b>       |



# Makana Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

2015/2014

2014/2013

|  | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome      | Unauthorised expenditure | Variance of Actual Outcome against Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|--|--------------------|---|--------------------------|--|---|--------------------|---------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand                | Rand                     | Rand                                      | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| <b>Expenditure - Standard</b>              |                    |   |                          |  |   |                    |                     |                          |   |                                     |  |                                   |   |                         |                          |
| <b>Governance and administration</b>       | <b>97 174 135</b>  | <b>49 511 233</b>                                   | <b>146 685 368</b>       | -  | -   | <b>146 685 368</b> | <b>105 120 601</b>  | -                        | <b>(41 564 767)</b>                       | <b>72 %</b>                         | <b>108 %</b>                           | -                                 | -   | -                       | <b>140 722 604</b>       |
| Executive and council                      | 25 721 884         | 21 886 873  | 47 608 757               | -  | -   | 47 608 757         | 32 724 247          | -                        | (14 884 510)                              | 69 %                                | 127 %                                  | -                                 | -   | -                       | 30 837 477               |
| Budget and treasury office                 | 32 008 464         | (8 232 688)   | 23 775 776               | -  | -   | 23 775 776         | 37 002 871          | -                        | 13 227 095                                | 156 %                               | 116 %                                  | -                                 | -   | -                       | 22 788 671               |
| Corporate services                         | 39 443 787         | 35 857 048  | 75 300 835               | -  | -   | 75 300 835         | 35 393 483          | -                        | (39 907 352)                              | 47 %                                | 90 %                                   | -                                 | -   | -                       | 87 096 456               |
| <b>Community and public safety</b>         | <b>34 271 786</b>  | <b>36 964 097</b>                                   | <b>71 235 883</b>        | -  | -   | <b>71 235 883</b>  | <b>40 487 427</b>   | -                        | <b>(30 748 456)</b>                       | <b>57 %</b>                         | <b>118 %</b>                           | -                                 | -   | -                       | <b>33 800 948</b>        |
| Community and social services              | 14 677 951         | 9 248 879   | 23 926 830               | -  | -   | 23 926 830         | 8 214 078           | -                        | (15 712 752)                              | 34 %                                | 56 %                                   | -                                 | -   | -                       | 9 960 272                |
| Sport and recreation                       | 2 300 380          | 9 186 283   | 11 486 663               | -  | -   | 11 486 663         | 13 841 251          | -                        | 2 354 588                                 | 120 %                               | 602 %                                  | -                                 | -   | -                       | 2 284 410                |
| Public safety                              | 15 094 398         | 16 065 512  | 31 159 910               | -  | -   | 31 159 910         | 16 185 390          | -                        | (14 974 520)                              | 52 %                                | 107 %                                  | -                                 | -   | -                       | 19 493 462               |
| Housing                                    | 48 304             | 51 009  | 99 313                   | -  | -   | 99 313             | 51 213              | -                        | (48 100)                                  | 52 %                                | 106 %                                  | -                                 | -   | -                       | 44 549                   |
| Health                                     | 2 150 753          | 2 412 414   | 4 563 167                | -  | -   | 4 563 167          | 2 195 495           | -                        | (2 367 672)                               | 48 %                                | 102 %                                  | -                                 | -   | -                       | 2 018 255                |
| <b>Economic and environmental services</b> | <b>32 966 096</b>  | <b>26 031 146</b>                                   | <b>58 997 242</b>        | -  | -   | <b>58 997 242</b>  | <b>26 310 507</b>   | -                        | <b>(32 686 735)</b>                       | <b>45 %</b>                         | <b>80 %</b>                            | -                                 | -   | -                       | <b>24 602 736</b>        |
| Planning and development                   | 18 205 940         | 11 351 152  | 29 557 092               | -  | -   | 29 557 092         | 9 705 290           | -                        | (19 851 802)                              | 33 %                                | 53 %                                   | -                                 | -   | -                       | 11 525 953               |
| Road transport                             | 10 632 510         | 10 180 199  | 20 812 709               | -  | -   | 20 812 709         | 13 553 205          | -                        | (7 259 504)                               | 65 %                                | 127 %                                  | -                                 | -   | -                       | 10 883 973               |
| Environmental protection                   | 4 127 646          | 4 499 795   | 8 627 441                | -  | -   | 8 627 441          | 3 052 012           | -                        | (5 575 429)                               | 35 %                                | 74 %                                   | -                                 | -   | -                       | 2 192 810                |
| <b>Trading services</b>                    | <b>179 984 122</b> | <b>61 847 665</b>                                   | <b>241 831 787</b>       | -  | -   | <b>241 831 787</b> | <b>179 764 579</b>  | -                        | <b>(62 067 208)</b>                       | <b>74 %</b>                         | <b>100 %</b>                           | -                                 | -   | -                       | <b>145 558 874</b>       |
| Electricity                                | 96 236 100         | (23 481 201)  | 72 754 899               | -  | -   | 72 754 899         | 88 227 243          | -                        | 15 472 344                                | 121 %                               | 92 %                                   | -                                 | -   | -                       | 65 936 628               |
| Water                                      | 44 564 506         | 55 919 384  | 100 483 890              | -  | -   | 100 483 890        | 53 232 720          | -                        | (47 251 170)                              | 53 %                                | 119 %                                  | -                                 | -   | -                       | 54 049 970               |
| Waste water management                     | 21 794 685         | 30 459 382  | 52 254 067               | -  | -   | 52 254 067         | 19 536 465          | -                        | (32 717 602)                              | 37 %                                | 90 %                                   | -                                 | -   | -                       | 20 679 811               |
| Waste management                           | 17 388 831         | (1 049 900)   | 16 338 931               | -  | -   | 16 338 931         | 18 768 151          | -                        | 2 429 220                                 | 115 %                               | 108 %                                  | -                                 | -   | -                       | 4 892 465                |
| <b>Other</b>                               | <b>247 580</b>     | <b>243 352</b>                                      | <b>490 932</b>           | -  | -   | <b>490 932</b>     | <b>252 966</b>      | -                        | <b>(237 966)</b>                          | <b>52 %</b>                         | <b>102 %</b>                           | -                                 | -   | -                       | -                        |
| Other                                      | 247 580            | 243 352   | 490 932                  | -  | -   | 490 932            | 252 966             | -                        | (237 966)                                 | 52 %                                | 102 %                                  | -                                 | -   | -                       | 3 416 081                |
| <b>Total Expenditure - Standard</b>        | <b>344 643 719</b> | <b>174 597 493</b>                                  | <b>519 241 212</b>       | -  | -   | <b>519 241 212</b> | <b>351 936 080</b>  | -                        | <b>(167 305 132)</b>                      | <b>68 %</b>                         | <b>102 %</b>                           | -                                 | -   | -                       | <b>348 101 243</b>       |
| <b>Surplus/(Deficit) for the year</b>      | <b>44 724 856</b>  | <b>(50 676 510)</b>                                 | <b>(5 951 654)</b>       | -  | -   | <b>(5 951 654)</b> | <b>(31 601 967)</b> | -                        | <b>(25 650 313)</b>                       | <b>531 %</b>                        | <b>(71)%</b>                           | -                                 | -   | -                       | <b>9 233 977</b>         |

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

|   | 2015/2014          |   |                                |   |  |                    |                     |                             | 2014/2013  |  |   |   |   |                            |                                |
|---|--------------------|---|--------------------------------|---|--|--------------------|---------------------|-----------------------------|--|--|---|---|---|----------------------------|--------------------------------|
|   | Original Budget    | Budget Adjustments<br>(i.t.o. s28 and s31 of the<br>MFMA) | Final<br>adjustments<br>budget | Shifting of<br>funds (i.t.o.<br>s31 of the<br>MFMA) | Virement<br>(i.t.o. Council<br>approved<br>policy) | Final Budget       | Actual<br>Outcome   | Unauthorised<br>expenditure | Variance of<br>Actual<br>Outcome<br>against<br>Adjustments<br>Budget | Actual<br>Outcome as<br>% of Final<br>Budget | Actual<br>Outcome as<br>% of Original<br>Budget | Reported<br>unauthorised<br>expenditure | Expenditure<br>authorised in<br>terms of<br>section 32 of<br>MFMA | Balance to be<br>recovered | Restated<br>Audited<br>Outcome |
|   | Rand               | Rand  | Rand                           | Rand  | Rand   | Rand               | Rand                | Rand                        | Rand   | Rand   | Rand  | Rand                                    | Rand  | Rand                       | Rand                           |
| <b>Revenue by Vote</b>                        |                    |   |                                |   |  |                    |                     |                             |  |  |   |   |   |                            |                                |
| Technical & Infrastructure                    | 40 363 792         | -   | 40 363 792                     | -   |  | 40 363 792         | 34 227 368          |                             | (6 136 424)  | 85 %   | 85 %  |   |   |                            | -                              |
| Corporate Services                            | 6 125 340          | -   | 6 125 340                      | -   |  | 6 125 340          | 3 964 675           |                             | (2 160 665)  | 65 %   | 65 %  |   |   |                            | -                              |
| Financial Services                            | 86 579 365         | -   | 86 579 365                     | -   |  | 86 579 365         | 61 260 644          |                             | (25 318 721)   | 71 %   | 71 %  |   |   |                            | -                              |
| Community & Social Services                   | 35 517 582         | -   | 35 517 582                     | -   |  | 35 517 582         | 28 694 629          |                             | (6 822 953)  | 81 %   | 81 %  |   |   |                            | -                              |
| Executive Mayor                               | 3 602 010          | -   | 3 602 010                      | -   |  | 3 602 010          | 2 426 788           |                             | (1 175 222)  | 67 %   | 67 %  |   |   |                            | -                              |
| Municipal Manager                             | 2 452 806          | -   | 2 452 806                      | -   |  | 2 452 806          | 1 904 495           |                             | (548 311)  | 78 %   | 78 %  |   |   |                            | -                              |
| Electricity                                   | 131 223 460        | -   | 131 223 460                    | -   |  | 131 223 460        | 102 943 043         |                             | (28 280 417)   | 78 %   | 78 %  |   |   |                            | -                              |
| Water   | 83 502 870         | -   | 83 502 870                     | -   |  | 83 502 870         | 84 909 927          |                             | 1 407 057  | 102 %  | 102 %   |   |   |                            | -                              |
| Dog tax                                       | 1 350              | -   | 1 350                          | -   |  | 1 350              | -                   |                             | (1 350)  | - %  | - %   |   |   |                            | -                              |
| <b>Total Revenue by Vote</b>                  | <b>389 368 575</b> | <b>-</b>  | <b>389 368 575</b>             | <b>-</b>  |  | <b>389 368 575</b> | <b>320 331 569</b>  |                             | <b>(69 037 006)</b>  | <b>82 %</b>                                  | <b>82 %</b>                                     |   |   |                            | <b>-</b>                       |
| <b>Expenditure by Vote to be appropriated</b> |                    |   |                                |   |  |                    |                     |                             |  |  |   |   |   |                            |                                |
| Technical & Infrastructure                    | 52 226 715         | -   | 52 226 715                     | -   |  | 52 226 715         | 45 889 751          |                             | (6 336 964)  | 88 %   | 88 %  | -                                       | -   | -                          | -                              |
| Corporate Services                            | 22 525 083         | -   | 22 525 083                     | -   |  | 22 525 083         | 28 670 848          |                             | 6 145 765  | 127 %  | 127 %   | -                                       | -   | -                          | -                              |
| Financial Services                            | 32 008 465         | -   | 32 008 465                     | -   |  | 32 008 465         | 42 002 850          |                             | 9 994 385  | 131 %  | 131 %   | -                                       | -   | -                          | -                              |
| Community & Social Services                   | 59 503 840         | -   | 59 503 840                     | -   |  | 59 503 840         | 63 049 337          |                             | 3 545 497  | 106 %  | 106 %   | -                                       | -   | -                          | -                              |
| Executive Mayor                               | 13 127 751         | -   | 13 127 751                     | -   |  | 13 127 751         | 14 295 088          |                             | 1 167 337  | 109 %  | 109 %   | -                                       | -   | -                          | -                              |
| Municipal Manager                             | 13 716 700         | -   | 13 716 700                     | -   |  | 13 716 700         | 9 750 834           |                             | (3 965 866)  | 71 %   | 71 %  | -                                       | -   | -                          | -                              |
| Local Economic Development                    | 10 684 901         | -   | 10 684 901                     | -   |  | 10 684 901         | 6 513 230           |                             | (4 171 671)  | 61 %   | 61 %  | -                                       | -   | -                          | -                              |
| Housing                                       | 48 304             | -   | 48 304                         | -   |  | 48 304             | 51 213              |                             | 2 909  | 106 %  | 106 %   | -                                       | -   | -                          | -                              |
| Electricity                                   | 96 236 100         | -   | 96 236 100                     | -   |  | 96 236 100         | 88 227 243          |                             | (8 008 857)  | 92 %   | 92 %  | -                                       | -   | -                          | -                              |
| Water   | 44 564 504         | -   | 44 564 504                     | -   |  | 44 564 504         | 53 232 720          |                             | 8 668 216  | 119 %  | 119 %   | -                                       | -   | -                          | -                              |
| Dog Tax                                       | 1 329              | -   | 1 329                          | -   |  | 1 329              | -                   |                             | (1 329)  | - %  | - %   | -                                       | -   | -                          | -                              |
| <b>Total Expenditure by Vote</b>              | <b>344 643 692</b> | <b>-</b>  | <b>344 643 692</b>             | <b>-</b>  |  | <b>344 643 692</b> | <b>351 683 114</b>  |                             | <b>7 039 422</b>   | <b>102 %</b>                                 | <b>102 %</b>                                    | <b>-</b>                                | <b>-</b>  | <b>-</b>                   | <b>-</b>                       |
| <b>Surplus/(Deficit) for the year</b>         | <b>44 724 883</b>  | <b>-</b>  | <b>44 724 883</b>              | <b>-</b>  |  | <b>44 724 883</b>  | <b>(31 351 545)</b> |                             | <b>(76 076 428)</b>  | <b>(70)%</b>                                 | <b>(70)%</b>                                    |   |   |                            | <b>-</b>                       |

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

|  | 2015/2014          |   |                          |  |   |                    | 2014/2013          |                          |   |                                     |  |                                   |   |                         |                          |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome     | Unauthorised expenditure | Variance of Actual Outcome against Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|  | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand               | Rand                     | Rand                                      | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| <b>Revenue By Source</b>   |                    |   |                          |  |   |                    |                    |                          |   |                                     |  |                                   |   |                         |                          |
| Property rates   | 56 970 285         | (13 381 683)  | 43 588 602               | -  |   | 43 588 602         | 46 135 174         |                          | 2 546 572                                 | 106 %                               | 81 %                                   |                                   |   |                         | 38 084 464               |
| Property rates - penalties & collection charges                      | -                  | -   | -                        | -  |   | -                  | -                  |                          | -   | DIV/0 %                             | DIV/0 %                                |                                   |   |                         | -                        |
| Service charges - electricity revenue                                | 126 955 458        | (13 122 458)  | 113 833 000              | -  |   | 113 833 000        | 96 547 240         |                          | (17 285 760)                              | 85 %                                | 76 %                                   |                                   |   |                         | 95 765 691               |
| Service charges - water revenue                                      | 47 576 122         | (8 350 122)   | 39 226 000               | -  |   | 39 226 000         | 45 089 170         |                          | 5 863 170                                 | 115 %                               | 95 %                                   |                                   |   |                         | 39 593 551               |
| Service charges - sanitation revenue                                 | 19 653 600         | (3 737 600)   | 15 916 000               | -  |   | 15 916 000         | 14 256 545         |                          | (1 659 455)                               | 90 %                                | 73 %                                   |                                   |   |                         | 19 752 158               |
| Service charges - refuse revenue                                     | 8 884 123          | (297 123)   | 8 587 000                | -  |   | 8 587 000          | 11 740 835         |                          | 3 153 835                                 | 137 %                               | 132 %                                  |                                   |   |                         | 6 362 861                |
| Service charges - other  | 283 847            | -   | 283 847                  | -  |   | 283 847            | 101 716            |                          | (182 131)                                 | 36 %                                | 36 %                                   |                                   |   |                         | 89 857                   |
| Rental of facilities and equipment                                   | 1 436 569          | -   | 1 436 569                | -  |   | 1 436 569          | 1 023 409          |                          | (413 160)                                 | 71 %                                | 71 %                                   |                                   |   |                         | 800 907                  |
| Interest earned - external investments                               | 5 000 000          | -   | 5 000 000                | -  |   | 5 000 000          | 385 120            |                          | (4 614 880)                               | 8 %                                 | 8 %                                    |                                   |   |                         | 11 207 128               |
| Interest earned - outstanding debtors                                | 9 000 000          | -   | 9 000 000                | -  |   | 9 000 000          | 10 835 646         |                          | 1 835 646                                 | 120 %                               | 120 %                                  |                                   |   |                         | -                        |
| Dividends received   | -                  | -   | -                        | -  |   | -                  | -                  |                          | -   | DIV/0 %                             | DIV/0 %                                |                                   |   |                         | -                        |
| Fines  | 942 309            | -   | 942 309                  | -  |   | 942 309            | 55 402             |                          | (886 907)                                 | 6 %                                 | 6 %                                    |                                   |   |                         | 655 711                  |
| Licences and permits   | 1 279 971          | -   | 1 279 971                | -  |   | 1 279 971          | 2 344 416          |                          | 1 064 445                                 | 183 %                               | 183 %                                  |                                   |   |                         | 2 596 574                |
| Agency services  | 1 344 774          | 1 344 774   | 2 689 548                | -  |   | 2 689 548          | 850 378            |                          | (1 839 170)                               | 32 %                                | 63 %                                   |                                   |   |                         | 877 055                  |
| Transfers recognised - operational                                   | 85 124 185         | 79 359 815  | 164 484 000              | -  |   | 164 484 000        | 94 429 938         |                          | (70 054 062)                              | 57 %                                | 111 %                                  |                                   |   |                         | 73 127 455               |
| Other revenue  | 26 546 620         | (3 999 938)   | 22 546 682               | -  |   | 22 546 682         | 1 892 183          |                          | (20 654 499)                              | 8 %                                 | 7 %                                    |                                   |   |                         | 2 219 709                |
| Gains on disposal of PPE   | -                  | -   | -                        | -  |   | -                  | 32 062             |                          | 32 062                                    | DIV/0 %                             | DIV/0 %                                |                                   |   |                         | -                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>390 997 863</b> | <b>37 815 665</b>                                   | <b>428 813 528</b>       | <b>-</b>                                   |   | <b>428 813 528</b> | <b>325 719 234</b> |                          | <b>(103 094 294)</b>                      | <b>76 %</b>                         | <b>83 %</b>                            |                                   |   |                         | <b>291 133 121</b>       |

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

|  | 2015/2014          |   |                          |  |   | 2014/2013          |                     |                          |   |                                     | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |  |                     |
|--|--------------------|---|--------------------------|--|---|--------------------|---------------------|--------------------------|---|-------------------------------------|-----------------------------------|---|-------------------------|--------------------------|--|---------------------|
|  | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome      | Unauthorised expenditure | Variance of Actual Outcome against Budget | Actual Outcome as % of Final Budget |                                   |   |                         |                          | Actual Outcome as % of Original Budget |                     |
|  | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand                | Rand                     | Rand                                      | Rand                                |                                   |   |                         |                          | Rand                                   | Rand                |
| <b>Expenditure By Type</b>   |                    |   |                          |  |   |                    |                     |                          |   |                                     |                                   |   |                         |                          |  |                     |
| Employee related costs   | 115 772 000        | -   | 115 772 000              | -  | -   | 115 772 000        | 131 945 914         | -                        | 16 173 914                                | 114 %                               | 114 %                             | -   | -                       | -                        | -                                      | 126 497 681         |
| Remuneration of councillors  | 8 371 000          | -   | 8 371 000                | -  | -   | 8 371 000          | 9 458 268           | -                        | 1 087 268                                 | 113 %                               | 113 %                             | -   | -                       | -                        | -                                      | 8 336 734           |
| Debt impairment  | 8 499 000          | -   | 8 499 000                | -  | -   | 8 499 000          | -                   | -                        | (8 499 000)                               | - %                                 | - %                               | -   | -                       | -                        | -                                      | -                   |
| Depreciation & asset impairment                                      | 8 969 364          | -   | 8 969 364                | -  | -   | 8 969 364          | 44 667 753          | -                        | 35 698 389                                | 498 %                               | 498 %                             | -   | -                       | -                        | -                                      | 31 483 403          |
| Finance charges  | 427 040            | -   | 427 040                  | -  | -   | 427 040            | 16 455 888          | -                        | 16 028 848                                | 3 853 %                             | 3 853 %                           | -   | -                       | -                        | -                                      | 6 337 044           |
| Bulk purchases   | 79 745 078         | -   | 79 745 078               | -  | -   | 79 745 078         | 82 036 759          | -                        | 2 291 681                                 | 103 %                               | 103 %                             | -   | -                       | -                        | -                                      | 67 096 415          |
| Other materials  | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| Contracted services  | 2 161 200          | -   | 2 161 200                | -  | -   | 2 161 200          | 4 490 553           | -                        | 2 329 353                                 | 208 %                               | 208 %                             | -   | -                       | -                        | -                                      | 6 917 134           |
| Transfers and grants   | 1 184 000          | -   | 1 184 000                | -  | -   | 1 184 000          | 30 808 444          | -                        | 29 624 444                                | 2 602 %                             | 2 602 %                           | -   | -                       | -                        | -                                      | 22 246 206          |
| Other expenditure  | 119 515 000        | -   | 119 515 000              | -  | -   | 119 515 000        | 71 403 134          | -                        | (48 111 866)                              | 60 %                                | 60 %                              | -   | -                       | -                        | -                                      | 60 457 286          |
| Loss on disposal of PPE  | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| <b>Total Expenditure</b>   | <b>344 643 682</b> | <b>-</b>  | <b>344 643 682</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>344 643 682</b> | <b>391 266 713</b>  | <b>-</b>                 | <b>46 623 031</b>                         | <b>114 %</b>                        | <b>114 %</b>                      | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>329 371 903</b>  |
| <b>Surplus/(Deficit)</b>   | <b>46 354 181</b>  | <b>37 815 665</b>                                   | <b>84 169 846</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>84 169 846</b>  | <b>(65 547 479)</b> | <b>-</b>                 | <b>(149 717 325)</b>                      | <b>(78)%</b>                        | <b>(141)%</b>                     | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>(38 238 782)</b> |
| Transfers recognised - capital                                       | 51 494 000         | 1 767 506   | 53 261 506               | -  | -   | 53 261 506         | 22 379 961          | -                        | (30 881 545)                              | 42 %                                | 43 %                              | -   | -                       | -                        | -                                      | 21 302 482          |
| Contributions recognised - capital                                   | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| Contributed assets   | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>97 848 181</b>  | <b>39 583 171</b>                                   | <b>137 431 352</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>137 431 352</b> | <b>(43 167 518)</b> | <b>-</b>                 | <b>(180 598 870)</b>                      | <b>(31)%</b>                        | <b>(44)%</b>                      | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>(16 936 300)</b> |
| Taxation   | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| <b>Surplus/(Deficit) after taxation</b>                              | <b>97 848 181</b>  | <b>39 583 171</b>                                   | <b>137 431 352</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>137 431 352</b> | <b>(43 167 518)</b> | <b>-</b>                 | <b>(180 598 870)</b>                      | <b>(31)%</b>                        | <b>(44)%</b>                      | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>(16 936 300)</b> |
| Attributable to minorities   | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| <b>Surplus/(Deficit) attributable to municipality</b>                | <b>97 848 181</b>  | <b>39 583 171</b>                                   | <b>137 431 352</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>137 431 352</b> | <b>(43 167 518)</b> | <b>-</b>                 | <b>(180 598 870)</b>                      | <b>(31)%</b>                        | <b>(44)%</b>                      | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>(16 936 300)</b> |
| Share of surplus/ (deficit) of associate                             | -                  | -   | -                        | -  | -   | -                  | -                   | -                        | -   | DIV/0 %                             | DIV/0 %                           | -   | -                       | -                        | -                                      | -                   |
| <b>Surplus/(Deficit) for the year</b>                                | <b>97 848 181</b>  | <b>39 583 171</b>                                   | <b>137 431 352</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>137 431 352</b> | <b>(43 167 518)</b> | <b>-</b>                 | <b>(180 598 870)</b>                      | <b>(31)%</b>                        | <b>(44)%</b>                      | <b>-</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>                               | <b>(16 936 300)</b> |

# Makana Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

|   | 2015/2014          |   |                          |  |   | 2014/2013          |                   |                          |   |                                     |  |                                   |   |                         |                          |
|---|--------------------|---|--------------------------|--|---|--------------------|-------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|   | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome    | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|   | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand              | Rand                     | Rand  | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| <b>Capital expenditure - Vote</b>               |                    |   |                          |  |   |                    |                   |                          |   |                                     |  |                                   |   |                         |                          |
| <b>Multi-year expenditure</b>                   |                    |   |                          |  |   |                    |                   |                          |   |                                     |  |                                   |   |                         |                          |
| Vote 1-Technical & Infrastructure               | 61 810 427         | 53 387 735  | 115 198 162              | -  | -   | 115 198 162        | 24 146 275        | -                        | (91 051 887)  | 21 %                                | 39 %                                   | -                                 | -   | -                       | -                        |
| Vote 2- Corporate services                      | 885 000            | 2 050 000   | 2 935 000                | -  | -   | 2 935 000          | 709 493           | -                        | (2 225 507)   | 24 %                                | 80 %                                   | -                                 | -   | -                       | -                        |
| Vote3- Financial services                       | 400 000            | -   | 400 000                  | -  | -   | 400 000            | 568 001           | -                        | 168 001   | 142 %                               | 142 %                                  | -                                 | -   | -                       | -                        |
| Vote4- Community & Social Services              | 8 568 000          | 9 800 000   | 18 368 000               | -  | -   | 18 368 000         | 3 696 903         | -                        | (14 671 097)  | 20 %                                | 43 %                                   | -                                 | -   | -                       | -                        |
| Vote5- Excutive Mayor                           | 1 050 000          | -   | 1 050 000                | -  | -   | 1 050 000          | 327 318           | -                        | (722 682)   | 31 %                                | 31 %                                   | -                                 | -   | -                       | -                        |
| Vote7- Local Economic Development               | 22 441 000         | -   | 22 441 000               | -  | -   | 22 441 000         | 3 720 499         | -                        | (18 720 501)  | 17 %                                | 17 %                                   | -                                 | -   | -                       | -                        |
| Vote9- Electricity                              | 8 075 000          | 11 625 000  | 19 700 000               | -  | -   | 19 700 000         | 2 952 511         | -                        | (16 747 489)  | 15 %                                | 37 %                                   | -                                 | -   | -                       | -                        |
| Vote10- Water                                   | 40 805 000         | 97 324 138  | 138 129 138              | -  | -   | 138 129 138        | 30 899 011        | -                        | (107 230 127)   | 22 %                                | 76 %                                   | -                                 | -   | -                       | -                        |
| <b>Capital multi-year expenditure sub-total</b> | <b>144 034 427</b> | <b>174 186 873</b>                                  | <b>318 221 300</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>318 221 300</b> | <b>67 020 011</b> | <b>-</b>                 | <b>(251 201 289)</b>                                  | <b>21 %</b>                         | <b>47 %</b>                            | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| <b>Single-year expenditure</b>                  |                    |   |                          |  |   |                    |                   |                          |   |                                     |  |                                   |   |                         |                          |
| <b>Total Capital Expenditure - Vote</b>         | <b>144 034 427</b> | <b>174 186 873</b>                                  | <b>318 221 300</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>318 221 300</b> | <b>67 020 011</b> | <b>-</b>                 | <b>(251 201 289)</b>                                  | <b>21 %</b>                         | <b>47 %</b>                            | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |

# Makana Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

|   | 2015/2014          |   |                          |  |   |                    |                   | 2014/2013                |   |                                     |  |                                   |   |                         |                          |
|---|--------------------|---|--------------------------|--|---|--------------------|-------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|   | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget       | Actual Outcome    | Unauthorised expenditure | Variance of Actual Outcome against Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|   | Rand               | Rand  | Rand                     | Rand                                       | Rand                                      | Rand               | Rand              | Rand                     | Rand                                      | Rand                                | Rand                                   | Rand                              | Rand  | Rand                    | Rand                     |
| <b>Capital Expenditure - Standard</b>       |                    |   |                          |  |   |                    |                   |                          |   |                                     |  |                                   |   |                         |                          |
| <b>Governance and administration</b>        | <b>1 285 000</b>   | <b>2 050 000</b>                                    | <b>3 335 000</b>         | -  | -   | <b>3 335 000</b>   | <b>3 291 401</b>  | -                        | <b>(43 599)</b>                           | <b>99 %</b>                         | <b>256 %</b>                           | -                                 | -   | -                       | <b>(3 177)</b>           |
| Executive and council                       | -                  | -   | -                        | -  | -   | -                  | 327 318           | -                        | 327 318                                   | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| Budget and treasury office                  | 400 000            | -   | 400 000                  | -  | -   | 400 000            | 568 001           | -                        | 168 001                                   | 142 %                               | 142 %                                  | -                                 | -   | -                       | (2 997)                  |
| Corporate services                          | 885 000            | 2 050 000   | 2 935 000                | -  | -   | 2 935 000          | 2 396 082         | -                        | (538 918)                                 | 82 %                                | 271 %                                  | -                                 | -   | -                       | (180)                    |
| <b>Community and public safety</b>          | <b>15 868 000</b>  | -   | <b>15 868 000</b>        | -  | -   | <b>15 868 000</b>  | <b>3 672 604</b>  | -                        | <b>(12 195 396)</b>                       | <b>23 %</b>                         | <b>23 %</b>                            | -                                 | -   | -                       | -                        |
| Community and social services               | 3 718 000          | -   | 3 718 000                | -  | -   | 3 718 000          | 67 145            | -                        | (3 650 855)                               | 2 %                                 | 2 %                                    | -                                 | -   | -                       | -                        |
| Sport and recreation                        | 850 000            | -   | 850 000                  | -  | -   | 850 000            | 3 392 686         | -                        | 2 542 686                                 | 399 %                               | 399 %                                  | -                                 | -   | -                       | -                        |
| Public safety                               | 1 300 000          | -   | 1 300 000                | -  | -   | 1 300 000          | 212 773           | -                        | (1 087 227)                               | 16 %                                | 16 %                                   | -                                 | -   | -                       | -                        |
| Housing                                     | 10 000 000         | -   | 10 000 000               | -  | -   | 10 000 000         | -                 | -                        | (10 000 000)                              | - %                                 | - %                                    | -                                 | -   | -                       | -                        |
| <b>Economic and environmental services</b>  | <b>38 923 557</b>  | <b>(1 359 539)</b>                                  | <b>37 564 018</b>        | -  | -   | <b>37 564 018</b>  | <b>11 944 517</b> | -                        | <b>(25 619 501)</b>                       | <b>32 %</b>                         | <b>31 %</b>                            | -                                 | -   | -                       | <b>1 000</b>             |
| Planning and development                    | 22 556 000         | 2 367 424   | 24 923 424               | -  | -   | 24 923 424         | 3 720 499         | -                        | (21 202 925)                              | 15 %                                | 16 %                                   | -                                 | -   | -                       | -                        |
| Road transport                              | 13 867 557         | (3 726 963)   | 10 140 594               | -  | -   | 10 140 594         | 8 224 018         | -                        | (1 916 576)                               | 81 %                                | 59 %                                   | -                                 | -   | -                       | 1 000                    |
| Environmental protection                    | 2 500 000          | -   | 2 500 000                | -  | -   | 2 500 000          | -                 | -                        | (2 500 000)                               | - %                                 | - %                                    | -                                 | -   | -                       | -                        |
| <b>Trading services</b>                     | <b>83 866 840</b>  | <b>172 446 412</b>                                  | <b>256 313 252</b>       | -  | -   | <b>256 313 252</b> | <b>48 111 489</b> | -                        | <b>(208 201 763)</b>                      | <b>19 %</b>                         | <b>57 %</b>                            | -                                 | -   | -                       | -                        |
| Electricity                                 | 8 075 000          | 11 625 000  | 19 700 000               | -  | -   | 19 700 000         | 2 952 511         | -                        | (16 747 489)                              | 15 %                                | 37 %                                   | -                                 | -   | -                       | -                        |
| Water                                       | 40 805 138         | 97 324 000  | 138 129 138              | -  | -   | 138 129 138        | 30 899 011        | -                        | (107 230 127)                             | 22 %                                | 76 %                                   | -                                 | -   | -                       | -                        |
| Waste water management                      | 34 986 702         | 63 497 412  | 98 484 114               | -  | -   | 98 484 114         | 14 235 668        | -                        | (84 248 446)                              | 14 %                                | 41 %                                   | -                                 | -   | -                       | -                        |
| Waste management                            | -                  | -   | -                        | -  | -   | -                  | 24 299            | -                        | 24 299                                    | DIV/0 %                             | DIV/0 %                                | -                                 | -   | -                       | -                        |
| <b>Other</b>                                | <b>4 091 030</b>   | -   | <b>4 091 030</b>         | -  | -   | <b>4 091 030</b>   | -                 | -                        | <b>(4 091 030)</b>                        | - %                                 | - %                                    | -                                 | -   | -                       | -                        |
| Aerodrome                                   | 4 091 030          | -   | 4 091 030                | -  | -   | 4 091 030          | -                 | -                        | (4 091 030)                               | - %                                 | - %                                    | -                                 | -   | -                       | 56 428 881               |
| <b>Total Capital Expenditure - Standard</b> | <b>144 034 427</b> | <b>173 136 873</b>                                  | <b>317 171 300</b>       | -  | -   | <b>317 171 300</b> | <b>67 020 011</b> | -                        | <b>(250 151 289)</b>                      | <b>21 %</b>                         | <b>47 %</b>                            | -                                 | -   | -                       | <b>56 426 704</b>        |
| <b>Funded by:</b>                           |                    |   |                          |  |   |                    |                   |                          |   |                                     |  |                                   |   |                         |                          |
| National Government                         | 48 814 099         | (20 783 599)  | 28 030 500               | -  |   | 28 030 500         | 36 553 348        |                          | 8 522 848                                 | 130 %                               | 75 %                                   |                                   |   |                         | -                        |
| Provincial Government                       | 1 679 500          | -   | 1 679 500                | -  |   | 1 679 500          | -                 |                          | (1 679 500)                               | - %                                 | - %                                    |                                   |   |                         | -                        |
| District Municipality                       | 10 167 557         | 19 704 353  | 29 871 910               | -  |   | 29 871 910         | 67 145            |                          | (29 804 765)                              | - %                                 | 1 %                                    |                                   |   |                         | -                        |
| <b>Transfers recognised - capital</b>       | <b>60 661 156</b>  | <b>(1 079 246)</b>                                  | <b>59 581 910</b>        | -  |   | <b>59 581 910</b>  | <b>36 620 493</b> |                          | <b>(22 961 417)</b>                       | <b>61 %</b>                         | <b>60 %</b>                            |                                   |   |                         | -                        |
| Borrowing                                   | 38 648 625         | 4 351 375   | 43 000 000               | -  |   | 43 000 000         | 14 352 885        |                          | (28 647 115)                              | 33 %                                | 37 %                                   |                                   |   |                         | -                        |
| Internally generated funds                  | 44 724 646         | (20 801 146)  | 23 923 500               | -  |   | 23 923 500         | 16 046 633        |                          | (7 876 867)                               | 67 %                                | 36 %                                   |                                   |   |                         | -                        |
| <b>Total Capital Funding</b>                | <b>144 034 427</b> | <b>(17 529 017)</b>                                 | <b>126 505 410</b>       | -  |   | <b>126 505 410</b> | <b>67 020 011</b> |                          | <b>(59 485 399)</b>                       | <b>53 %</b>                         | <b>47 %</b>                            |                                   |   |                         | -                        |

**Makana Municipality  
Appendix G5  
Budgeted Cash Flows  
for the year ended 30 June 2015**

**2015/2014**

**2014**

|   | Original Budget    | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget         | Actual Outcome      | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
|---|--------------------|---|--------------------------|----------------------|---------------------|---|-------------------------------------|--|--------------------------|
|   | Rand               | Rand  | Rand                     | Rand                 | Rand                | Rand  | Rand                                | Rand                                   | Rand                     |
| <b>Cash flow from operating activities</b>          |                    |   |                          |                      |                     |   |                                     |  |                          |
| Ratepayers and other                                | 290 245 116        | (38 909 636)  | 251 335 480              | 251 335 480          | 204 337 421         | (46 998 059)  | 81 %                                | 70 %                                   | 157 178 979              |
| Government - operating                              | 82 124 184         | 79 359 815  | 161 483 999              | 161 483 999          | 133 752 144         | (27 731 855)  | 83 %                                | 163 %                                  | 128 119 264              |
| Government - capital                                | 51 493 596         | 1 767 506   | 53 261 102               | 53 261 102           | 22 379 961          | (30 881 141)  | 42 %                                | 43 %                                   | 21 302 482               |
| Interest  | 14 000 004         | -   | 14 000 004               | 14 000 004           | 385 120             | (13 614 884)  | 3 %                                 | 3 %                                    | 1 325 220                |
| Other receipts                                      | -                  | -   | -                        | -                    | 17 838 897          | 17 838 897  | DIV/0 %                             | DIV/0 %                                | 13 979 937               |
| Suppliers and employees                             | 343 032 732        | (16 284 852)  | 326 747 880              | 326 747 880          | (349 929 820)       | (676 677 700)   | (107)%                              | (102)%                                 | (272 557 388)            |
| Finance charges                                     | 427 044            | -   | 427 044                  | 427 044              | (6 337 044)         | (6 764 088)   | (1 484)%                            | (1 484)%                               | (214 867)                |
| Transfers and Grants                                | 1 184 146          | 40 938 302  | 42 122 448               | 42 122 448           | -                   | (42 122 448)  | - %                                 | - %                                    | -                        |
| <b>Net cash flow from/used operating activities</b> | <b>782 506 822</b> | <b>66 871 135</b>                                   | <b>849 377 957</b>       | <b>849 377 957</b>   | <b>22 426 679</b>   | <b>(826 951 278)</b>                                  | <b>3 %</b>                          | <b>3 %</b>                             | <b>49 133 627</b>        |
| <b>Cash flow from investing activities</b>          |                    |   |                          |                      |                     |   |                                     |  |                          |
| Proceeds on disposal of PPE                         | 144 034 428        | 126 540 804   | 270 575 232              | 270 575 232          | 465 000             | (270 110 232)   | - %                                 | - %                                    | 130 850                  |
| Proceeds from sale of financial assets              | -                  | -   | -                        | -                    | (115 949)           | (115 949)   | DIV/0 %                             | DIV/0 %                                | 554 372                  |
| Capital assets                                      | -                  | -   | -                        | -                    | (54 465 524)        | (54 465 524)  | DIV/0 %                             | DIV/0 %                                | (94 186 425)             |
| <b>Net cash flow from/used investing activities</b> | <b>144 034 428</b> | <b>126 540 804</b>                                  | <b>270 575 232</b>       | <b>270 575 232</b>   | <b>(54 116 473)</b> | <b>(324 691 705)</b>                                  | <b>(20)%</b>                        | <b>(38)%</b>                           | <b>(93 501 203)</b>      |
| <b>Cash flow from financing activities</b>          |                    |   |                          |                      |                     |   |                                     |  |                          |
| Borrowing long term/refinancing                     | 37 648 625         | -   | 37 648 625               | 37 648 625           | 30 769 995          | (6 878 630)   | 82 %                                | 82 %                                   | 23 407 122               |
| Repayment of borrowing                              | 3 165 000          | -   | 3 165 000                | 3 165 000            | -                   | (3 165 000)   | - %                                 | - %                                    | (901 659)                |
| <b>Net cash flow from/used financing activities</b> | <b>40 813 625</b>  | <b>-</b>  | <b>40 813 625</b>        | <b>40 813 625</b>    | <b>30 769 995</b>   | <b>(10 043 630)</b>                                   | <b>75 %</b>                         | <b>75 %</b>                            | <b>22 505 463</b>        |
| <b>Net increase/(decrease) in cash held</b>         | <b>967 354 875</b> | <b>193 411 939</b>                                  | <b>1 160 766 814</b>     | <b>1 160 766 814</b> | <b>(919 799)</b>    | <b>1 161 686 613</b>                                  | <b>- %</b>                          | <b>- %</b>                             | <b>(21 862 113)</b>      |
| Cash/cash equivalents at the year begin:            |                    |   |                          |                      | 17 496 528          |   |                                     |  | 52 997 288               |
| <b>Cash/cash equivalents at the year end:</b>       | <b>967 354 875</b> | <b>193 411 939</b>                                  | <b>1 160 766 814</b>     | <b>1 160 766 814</b> | <b>16 576 729</b>   | <b>1 161 686 613</b>                                  | <b>1 %</b>                          | <b>2 %</b>                             |                          |