



Fezile Dabi District Municipality
Annual Financial Statements
for the year ended 30 June 2015

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	District municipality
Mayoral committee	
Executive Mayor	Cllr MP Moshodi
Councillors	Cllr KGL Nketu (Speaker) Cllr VE de Beer Cllr GN Guza Cllr ML Hlapane Cllr K Khumalo Cllr LS Kubeka Cllr ME Notsi Cllr AM Olifant
Municipal demarcation code	DC20
Grading of local authority	Grade 1
Capacity of local authority	Low capacity
Chief Finance Officer (CFO)	G Mashiyi
Accounting Officer	ML Molibeli
Registered office	John Vorster Road Sasolburg 1947
Postal address	P.O Box 10 Sasolburg 1947
Bankers	ABSA BANK
Auditors	Auditor General of South Africa
Attorneys	Peyper Attorneys Inc Ponoane Attorneys

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Appropriation Statement	10 - 12
Accounting Policies	13 - 36
Notes to the Annual Financial Statements	37 - 72
Appendixes:	
Appendix A: Schedule of External loans	73
Appendix B: Analysis of Property, Plant and Equipment	74
Appendix C: Segmental analysis of Property, Plant and Equipment	75
Appendix D: Segmental Statement of Financial Performance	76
Appendix E: Actual versus Budget (Acquisition of Property, Plant and Equipment)	77
Appendix F(1): Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	78
Appendix F(2): Disclosure of grants and subsidies in terms of the Municipal Finance Management Act	79

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Index

Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
DBSA	Development Bank of South Africa
DWA	Department of Water Affairs
EHS	Environmental, Health Services
EPWP	Expanded Public Works Program
FDDM	Fezile Dabi District Municipality
GRAP	Generally Recognised Accounting Practice
HIV	Human Immunodeficiency Virus
IAS	International Accounting Standards
IDP	Integrated Development Plan
IPSAS	International Public Sector Accounting Standards
LED	Local Economic Development
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SETA	Skills Education Training Authorities
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on her behalf by:

ML Molibeli
Municipal Manager
Sasolburg
31 August 2015

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	109,743,251	138,461,812
Receivables from exchange transactions	4	5,450,702	560,614
VAT receivable	6	-	3,715,288
		115,193,953	142,737,714
Non-Current Assets			
Property, plant and equipment	7	29,561,670	31,510,538
Intangible assets	8	1,013,860	258,177
		30,575,530	31,768,715
Total Assets		145,769,483	174,506,429
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	20,897,483	18,556,713
VAT payable	10	3,718,364	-
Unspent conditional grants and receipts	11	3,510,566	8,062,808
Current portion of long term loans	12	-	2,644,883
		28,126,413	29,264,404
Non-Current Liabilities			
Retirement benefit obligation	13	7,934,000	7,444,000
Provisions for long service awards	14	9,075,000	7,595,000
Operating lease liability		81,680	126,002
		17,090,680	15,165,002
Total Liabilities		45,217,093	44,429,406
Net Assets		100,552,390	130,077,023
Revaluation reserve	15	13,598,737	14,399,324
Accumulated surplus		86,953,653	115,677,699
Total Net Assets		100,552,390	130,077,023

* See Note 29

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Administration and management fees received		38,340	78,020
Other income	16	1,291,741	2,761,035
Interest received - investment	17	8,038,516	8,571,525
Gains on disposal of assets		-	77,907
Total revenue from exchange transactions		9,368,597	11,488,487
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	18	145,192,041	138,694,586
Total revenue		154,560,638	150,183,073
Expenditure			
Employee related costs	19	(80,294,398)	(70,606,304)
Remuneration of councillors	20	(6,576,590)	(5,983,043)
Depreciation and amortisation	21	(3,612,812)	(3,822,044)
Finance charges	22	(1,011,421)	(377,622)
Reversal of impairment/(debt impairment)		1,821,000	(6,269,593)
Repairs and maintenance		(1,564,207)	(1,659,016)
Contracted services	23	(13,264,785)	(9,505,675)
Grants and subsidies paid	24	(28,084,669)	(13,449,080)
Loss on disposal of assets		(345,990)	-
General expenses	25	(51,151,398)	(52,652,010)
Total expenditure		(184,085,270)	(164,324,387)
Operating deficit		(29,524,632)	(14,141,314)
Deficit for the year		(29,524,632)	(14,141,314)

* See Note 29

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	16,466,211	126,026,255	142,492,466
Adjustments			
Prior year adjustments (note 29)	(1,252,997)	2,978,867	1,725,870
Balance at 01 July 2013 as restated*	15,213,214	129,005,122	144,218,336
Changes in net assets			
Revaluation reserve realised	(813,890)	813,890	-
Net income recognised directly in net assets	(813,890)	813,890	-
Deficit for the year	-	(14,141,313)	(14,141,313)
Total changes	(813,890)	(13,327,423)	(14,141,313)
Opening balance as previously reported	14,399,324	113,010,461	127,409,785
Adjustments			
Prior year adjustments (note 29)	-	2,667,237	2,667,237
Restated* Balance at 01 July 2014 as restated*	14,399,324	115,677,698	130,077,022
Changes in net assets			
Revaluation reserve realised	(800,587)	800,587	-
Net losses recognised directly in net assets	(800,587)	800,587	-
Deficit for the year	-	(29,524,632)	(29,524,632)
Total changes	(800,587)	(28,724,045)	(29,524,632)
Balance at 30 June 2015	13,598,737	86,953,653	100,552,390
Note(s)	15	29	

* See Note 29

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Grants		145,192,041	138,694,586
Interest income		8,038,516	8,571,525
Other receipts	26	1,330,081	2,839,055
		<u>154,560,638</u>	<u>150,105,166</u>
Payments			
Employee costs		(86,870,988)	(76,589,347)
Suppliers		(89,889,556)	(73,538,907)
Finance costs		(1,011,421)	(377,622)
		<u>(177,771,965)</u>	<u>(150,505,876)</u>
Net cash flows from operating activities	27	<u>(23,211,327)</u>	<u>(400,710)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,568,736)	(3,844,405)
Purchase of other intangible assets	8	(947,625)	-
Profit/(Loss) from sale of property, plant and equipment		(345,990)	77,907
Net cash flows from investing activities		<u>(2,862,351)</u>	<u>(3,766,498)</u>
Cash flows from financing activities			
Movement in long term loans		(2,644,883)	(17,781,655)
Net increase/(decrease) in cash and cash equivalents		<u>(28,718,561)</u>	<u>(21,948,863)</u>
Cash and cash equivalents at the beginning of the year		138,461,812	160,410,675
Cash and cash equivalents at the end of the year	3	<u>109,743,251</u>	<u>138,461,812</u>

* See Note 29

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 44)
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Administration and management fees received	78,100	-	78,100	38,340	(39,760)	44.1
Other income	1,488,000	(523,760)	964,240	1,291,741	327,501	44.2
Interest received - investment	5,008,571	2,769,761	7,778,332	8,038,516	260,184	
Total revenue from exchange transactions	6,574,671	2,246,001	8,820,672	9,368,597	547,925	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	142,674,070	3,998,943	146,673,013	145,192,041	(1,480,972)	
Total revenue	149,248,741	6,244,944	155,493,685	154,560,638	(933,047)	
Expenditure						
Employee related cost	(87,997,163)	2,438,238	(85,558,925)	(80,294,398)	5,264,527	
Remuneration of councillors	(7,586,076)	-	(7,586,076)	(6,576,590)	1,009,486	44.3
Transfer payments - Other	62,898,460	19,701,416	82,599,876	-	(82,599,876)	44.4
Depreciation and amortisation	(4,799,999)	-	(4,799,999)	(3,612,812)	1,187,187	44.5
Finance costs	(4,500,000)	850,454	(3,649,546)	(1,011,421)	2,638,125	44.6
Debt impairment/(Reversal of impairment)	-	-	-	1,821,000	1,821,000	
Repairs and maintenance	(1,311,900)	(305,600)	(1,617,500)	(1,564,207)	53,293	
Contracted services	(12,358,000)	(6,276,079)	(18,634,079)	(13,264,785)	5,369,294	44.7
Grants and subsidies paid	(31,283,152)	(15,516,190)	(46,799,342)	(28,084,669)	18,714,673	44.8
General expenses	(62,606,910)	(6,365,844)	(68,972,754)	(51,151,398)	17,821,356	44.9
Total expenditure	(149,544,740)	(5,473,605)	(155,018,345)	(183,739,280)	(28,720,935)	
Operating deficit	(295,999)	771,339	475,340	(29,178,642)	(29,653,982)	
Loss on disposal of assets and liabilities	-	-	-	(345,990)	(345,990)	
Deficit before taxation	(295,999)	771,339	475,340	(29,524,632)	(29,999,972)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(295,999)	771,339	475,340	(29,524,632)	(29,999,972)	

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Investment revenue	5,008,571	2,769,761	7,778,332	-	-	7,778,332	8,038,516	-	260,184	103 %	160 %
Transfers recognised - operational	142,674,070	3,998,943	146,673,013	-	-	146,673,013	145,192,041	-	(1,480,972)	99 %	102 %
Other own revenue	1,566,100	(523,760)	1,042,340	-	-	1,042,340	1,330,081	-	287,741	128 %	85 %
Total revenue (excluding capital transfers and contributions)	149,248,741	6,244,944	155,493,685	-	-	155,493,685	154,560,638	-	(933,047)	99 %	104 %
Employee costs	(87,997,163)	2,438,238	(85,558,925)	-	-	(85,558,925)	(80,294,398)	-	5,264,527	94 %	91 %
Remuneration of councillors	(7,586,076)	-	(7,586,076)	-	-	(7,586,076)	(6,576,590)	-	1,009,486	87 %	87 %
Reversal of impairment/(debt impairment)	-	-	-	-	-	-	1,821,000	-	1,821,000	- %	- %
Depreciation and asset impairment	(4,799,999)	-	(4,799,999)	-	-	(4,799,999)	(3,612,812)	-	1,187,187	75 %	75 %
Finance charges	(4,500,000)	850,454	(3,649,546)	-	-	(3,649,546)	(1,011,421)	-	2,638,125	28 %	22 %
Transfers and grants	(31,283,152)	(15,516,190)	(46,799,342)	-	-	(46,799,342)	(28,084,669)	-	18,714,673	60 %	90 %
Other expenditure	(13,378,350)	5,861,654	(7,516,696)	-	-	(7,516,696)	(66,326,382)	-	(58,809,686)	882 %	496 %
Total expenditure	(149,544,740)	(6,365,844)	(155,910,584)	-	-	(155,910,584)	(184,085,272)	-	(28,174,688)	118 %	123 %
Surplus/(Deficit)	(295,999)	(120,900)	(416,899)	-	-	(416,899)	(29,524,634)	-	(29,107,735)	7,082 %	9,975 %
Surplus/(Deficit) for the year	(295,999)	(120,900)	(416,899)	-	-	(416,899)	(29,524,634)	-	(29,107,735)	7,082 %	9,975 %

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	7,035,000	-	7,035,000	-		7,035,000	2,765,617		(4,269,383)	39 %	39 %
Sources of capital funds											
Internally generated funds	7,035,000	-	7,035,000	-		7,035,000	2,765,617		(4,269,383)	39 %	39 %
Cash flows											
Net cash from (used) operating	(58,394,460)	39,268,384	(19,126,076)	-		(19,126,076)	(23,211,327)		(4,085,251)	121 %	40 %
Net cash from (used) investing	(7,035,000)	-	(7,035,000)	-		(7,035,000)	(2,862,351)		4,172,649	41 %	41 %
Net cash from (used) financing	(2,644,883)	-	(2,644,883)	-		(2,644,883)	(2,644,883)		-	100 %	100 %
Net increase/(decrease) in cash and cash equivalents	(68,074,343)	39,268,384	(28,805,959)	-		(28,805,959)	(28,718,561)		87,398	100 %	42 %
Cash and cash equivalents at the beginning of the year	138,461,812	-	138,461,812	-		138,461,812	138,461,812		-	100 %	100 %
Cash and cash equivalents at year end	70,387,469	39,268,384	109,655,853	-		109,655,853	109,743,251		(87,398)	100 %	156 %

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Investment revenue				8,571,525
Transfers recognised - operational				138,694,586
Other own revenue				2,916,961
Total revenue (excluding capital transfers and contributions)				150,183,072
Employee costs	-	-	-	(70,606,303)
Remuneration of councillors	-	-	-	(5,983,043)
Reversal of impairment/(Debt impairment)	-	-	-	(6,269,593)
Depreciation and asset impairment	-	-	-	(3,822,044)
Finance charges	-	-	-	(377,622)
Transfers and grants	-	-	-	(13,449,080)
Other expenditure	-	-	-	(63,816,701)
Total expenditure	-	-	-	(164,324,386)
Surplus/(Deficit)				(14,141,314)
Surplus/(Deficit) for the year				(14,141,314)
Cash flows				
Net cash from (used) operating				(400,710)
Net cash from (used) investing				(3,766,498)
Net cash from (used) financing				(17,781,655)
Net increase/(decrease) in cash and cash equivalents				(21,948,863)
Cash and cash equivalents at the beginning of the year				160,410,675
Cash and cash equivalents at year end				138,461,812

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

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

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 14 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment are initially recognised 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), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

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 municipality 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.

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

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses except for land and building which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	6 - 30 years
Computer equipment	2 - 20 years
Furniture and fixtures	2 - 24 years
Land	Indefinite
Motor vehicles	2 - 20 years
Office equipment	20 - 30 years
Other assets	1 - 30 years
Plant and machinery	2 - 10 years

The residual value, 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 municipality 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.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Intangible assets (continued)

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; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement 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.

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.

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

Item	Useful life
Computer software	5 - 12 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 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.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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 in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Leases

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

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

Operating leases - lessor

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

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.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Impairment of non-cash-generating assets

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.9 Statutory receivables

Statutory receivables are receivables that:

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

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

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

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

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

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

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

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

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

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

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable;
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a number of leave days, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Provisions and contingencies (continued)

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities 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 municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.12 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.

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.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Revenue from exchange transactions (continued)

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 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 surveys of work performed.

Interest

Revenue arising from the use by others of municipality assets yielding interest 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.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the 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.

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

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 municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest 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; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.15 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
 - is an existing asset of the municipality; or
 - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Comparative figures

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

Refer to note 30 for detail.

1.17 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and 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 referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised 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.

1.18 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.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the 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.

1.20 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.21 Grants in aid

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

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

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

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 42.

Commitments for which disclosure is necessary to achieve fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) and;
- contracts relate to something other than the routine, steady, state business of the municipality - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 Budget information

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

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

The 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.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 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).

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.

1.26 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.27 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 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:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated financial statements.

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning, on or after the effective date, from the date at which the municipality first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. These amendments should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	12,502,352	2,685,716
Short-term deposits	97,240,899	135,776,096
	109,743,251	138,461,812

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents include cash on hand, current bank account, bank overdraft and short term deposits with a maturity of three months or less.

Short-term deposits consist of the following balances at various institutions

Credit rating		
ABSA	34,736,604	42,721,060
Nedbank	31,283,903	32,837,531
Rand merchant	-	12,038,909
Standard bank	31,220,392	48,178,596
	97,240,899	135,776,096

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - Cheque account - 520000100	11,734,765	1,126,975	3,744,526	11,717,205	(73,813)	3,586,712
ABSA Bank - Savings account - 9070399717	427,285	321,832	25,546,554	427,285	321,832	25,546,554
ABSA Bank - HIV/Aids project bank account - 9209269959	340,302	1,236,909	2,462,650	340,302	1,236,908	2,462,650
Total	12,502,352	2,685,716	31,753,730	12,484,792	1,484,927	31,595,916

4. Receivables from exchange transactions

Bursary recoupments	70,720	-
Department of Health - Metsimaholo hospital	3,766,179	-
Fuel deposit	1,000	1,000
Other debtors	151,170	151,370
Payments in advance	712,323	-
Pick n Pay card	2,251	2,251
Recoverable expenses: Lottery grant	686,860	-
S Dhlamini - vehicle loan	-	162,502
S Tshabalala - vehicle loan	-	35,960
Salary/performance bonus	-	404,495
Suspense	60,199	1,498
Less: allowance for impairment	-	(198,462)
	5,450,702	560,614

Pledged as security

None of the receivables was pledged as security by the municipality during the financial year.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of 30 June 2015, trade and other receivables of R 5,450,702 (2014: R 560,614) were impaired and provided for.		
The amount of the provision was R - as of 30 June 2015 (2014: R (198,462)).		
The ageing of these receivables is as follows:		
3 to 6 months	4,453,039	151,370
Over 6 months	791,829	409,244
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	198,462	198,462
Amounts written off as uncollectible	(198,462)	-
	<u>-</u>	<u>198,462</u>
5. Receivables from non-exchange transactions		
Funeral expenses: MEC Health	4,448,593	6,269,593
Less: allowance for impairment	(4,448,593)	(6,269,593)
	<u>-</u>	<u>-</u>
Pledged as security		
None of the receivables from non-exchange transactions was pledged as security by the municipality during the financial year.		
Reconciliation of allowance for impairment		
Opening balance	6,269,593	-
Allowance for impairment	-	6,269,593
Unused amounts reversed	(1,821,000)	-
	<u>4,448,593</u>	<u>6,269,593</u>
6. VAT receivable		
VAT	-	3,715,288

VAT is payable on the payment basis. VAT is only paid to SARS on receipt of payment from customers.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015			2014		
7. Property, plant and equipment						
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	19,970,343	(3,144,488)	16,825,855	18,912,483	(1,224,086)	17,688,397
Computer equipment	5,193,768	(4,032,198)	1,161,570	5,835,920	(4,455,695)	1,380,225
Furniture and fixtures	4,485,589	(3,427,519)	1,058,070	4,278,102	(3,137,794)	1,140,308
Land	2,590,000	-	2,590,000	2,590,000	-	2,590,000
Motor vehicles	10,656,202	(4,674,232)	5,981,970	10,200,583	(3,759,536)	6,441,047
Office equipment	2,487,712	(1,979,297)	508,415	2,557,364	(1,871,037)	686,327
Other assets	3,193,344	(1,757,714)	1,435,630	3,031,953	(1,447,975)	1,583,978
Plant and machinery	12,204	(12,044)	160	12,204	(11,948)	256
Total	48,589,162	(19,027,492)	29,561,670	47,418,609	(15,908,071)	31,510,538

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	17,688,397	117,687	(2,811)	(977,417)	16,825,856
Computer equipment	1,380,224	360,012	(59,361)	(519,305)	1,161,570
Furniture and fixtures	1,140,308	237,345	(5,403)	(314,180)	1,058,070
Land	2,590,000	-	-	-	2,590,000
Motor vehicles	6,441,048	619,534	-	(1,078,612)	5,981,970
Office equipment	686,327	47,851	(16,269)	(209,494)	508,415
Other assets	1,583,978	186,307	(11,987)	(322,668)	1,435,630
Plant and machinery	256	-	-	(96)	160
	31,510,538	1,568,736	(95,831)	(3,421,772)	29,561,671

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	18,440,467	225,347	-	(977,417)	17,688,397
Computer Equipment	1,476,275	460,374	-	(556,425)	1,380,224
Furniture and fixtures	1,432,383	45,020	-	(337,095)	1,140,308
Land	2,590,000	-	-	-	2,590,000
Motor vehicles	5,468,995	2,688,155	(491,849)	(1,224,253)	6,441,048
Office equipment	862,062	92,788	-	(268,523)	686,327
Other assets	1,592,357	332,721	-	(341,100)	1,583,978
Plant and machinery	406	-	-	(150)	256
	31,862,945	3,844,405	(491,849)	(3,704,963)	31,510,538

Pledged as security

No property, plant and equipment was pledged as security for liabilities.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
7. Property, plant and equipment (continued)		
Other information		
Property, plant and equipment (Work in progress)		
Mafube: Qalabotjha stadium (Seditrade (Pty) Ltd)	-	1,817,358
Mafube: Sewer network and toilet structures for 363 erven in Qalabotjha (Ramusta Rail CC)	10,448,440	2,382,907
Metsimaholo: Sewer yard connections in Gortin for 2400 erven (Seditrade (Pty) Ltd)	3,819,672	1,057,095
Ngwathe: Rehabilitation of Kruis street in Parys (Moreteng Investments (Pty) Ltd)	6,431,078	4,296,555
	20,699,190	9,553,915

Key Assumptions used to determine the recoverable service amount of assets during the period:

The municipality conducted asset count, and in this process the assets' conditions were assessed, and it was determined that no assets were identified to be impaired.

No further information is therefore disclosed, as there were no assets impaired during the period under review.

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.

Revaluations

The effective date of the revaluations was 28 June 2013. Revaluations were performed by Kgolofelo Property Services CC, an independent valuer. Valuations were made on the basis of recent market transactions on arm length terms. The revaluation surplus was credited to revaluation reserve.

Land and buildings are revalued independently every 5 years.

8. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Caseware	173,950	(149,790)	24,160	173,950	(120,799)	53,151
Dispatch and early warning system	219,000	(7,840)	211,160	-	-	-
Drivelock system	728,625	(66,791)	661,834	-	-	-
E-Venus	468,460	(421,156)	47,304	468,460	(398,450)	70,010
Microsoft exchange 2010	56,848	(35,793)	21,055	56,848	(27,371)	29,477
Microsoft office 2007	163,027	(145,366)	17,661	163,027	(137,215)	25,812
Payday system	89,052	(80,060)	8,992	89,052	(75,743)	13,309
Server software	241,071	(224,327)	16,744	241,071	(185,003)	56,068
Telephone system	27,000	(22,050)	4,950	27,000	(16,650)	10,350
Total	2,167,033	(1,153,173)	1,013,860	1,219,408	(961,231)	258,177

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

8. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Caseware	53,151	-	(28,991)	24,160
Dispatch and early warning system	-	219,000	(7,840)	211,160
Drivelock system	-	728,625	(66,791)	661,834
E-Venus	70,010	-	(22,706)	47,304
Microsoft exchange 2010	29,477	-	(8,422)	21,055
Microsoft office 2007	25,813	-	(8,152)	17,661
Payday system	13,308	-	(4,316)	8,992
Server software	56,068	-	(39,323)	16,745
Telephone system	10,350	-	(5,400)	4,950
	258,177	947,625	(191,941)	1,013,861

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Caseware	82,143	(28,992)	53,151
E-Venus	92,715	(22,705)	70,010
Microsoft exchange 2010	37,899	(8,422)	29,477
Microsoft office 2007	33,964	(8,151)	25,813
Payday system	17,624	(4,316)	13,308
Server software	95,163	(39,095)	56,068
Telephone system	15,750	(5,400)	10,350
	375,258	(117,081)	258,177

Pledged as security

No intangible assets was pledged as security for liabilities.

Other information

Fully amortised intangible assets still in use 4,094 4,094

Fully amortised intangible assets still in use consist of:
- MS Exchange 2003 Server

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no contractual commitments for the acquisition of intangible assets.

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.

9. Payables from exchange transactions

Retention creditors	3,757,886	2,242,742
Service bonus accrual	2,961,338	2,880,898
Staff leave accrual	5,632,314	5,562,264
Trade payables	8,528,385	6,670,020
Uncashed cheques	17,560	1,200,789
	20,897,483	18,556,713

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
10. VAT payable		
VAT	3,718,364	-
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Department of Health - Metsimaholo Hospital	-	69,988
Department of Health - Relebohile Clinic: Ngwathe Local Municipality	1,427,933	4,062,277
Department of Public Works - Church: Ngwathe Local Municipality	85,794	85,794
Department of Roads, Transport and Police - Internal Roads: Ngwathe Local Municipality	732,391	732,391
Department of Sports - Grant: Fezile Dabi Stadium	1,264,448	1,264,448
Expanded public works program integrated grant	-	866,923
Lottery grant	-	980,987
	3,510,566	8,062,808
Movement during the year		
Balance at the beginning of the year	8,062,808	7,195,886
Additions during the year	140,639,799	139,561,508
Income recognition during the year	(145,192,041)	(138,694,586)
	3,510,566	8,062,808
12. Long term loans		
Loans from DBSA		
External loans	-	2,644,883
Less: Current portion transferred to current liabilities	-	(2,644,883)
	-	-

See appendix "A" for a detailed schedule of external loans.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

13. Retirement benefit obligation

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries.

Post retirement medical aid plan

The Post retirement benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service members (employees)	122	122
Continuation members (e.g: retirees, widows, orphans)	4	5
	<u>126</u>	<u>127</u>

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

- Bonitas medical scheme
- Discovery medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(7,444,000)	(8,417,000)
Service cost	(557,000)	(802,000)
Interest cost	(681,000)	(816,000)
Actuarial gains	587,000	2,437,026
Actual benefits paid	161,000	153,974
	<u>(7,934,000)</u>	<u>(7,444,000)</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
13. Retirement benefit obligation (continued)		
Net expense of the defined benefit obligation recognised in the statement of financial performance		
Current service cost	(557,000)	(802,000)
Interest cost	(681,000)	(816,000)
Actuarial gains	587,000	2,437,026
Benefit payments	161,000	153,974
	(490,000)	973,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	8.94 %
Healthcare cost inflation	CPI + 1%	8.05 %
Net discount rate	Yield curve based	0.82 %

The basis used to determine the overall expected rate of return on assets is as follow:

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

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

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

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

			One percentage point increase	One percentage point decrease	
Effect on the accrued liability			8,149,000	7,660,000	
Effect on interest cost			764,000	717,000	
Effect on service cost			568,000	535,000	
	2015	2014	2013	2012	2011
	R	R	R	R	R
Defined benefit obligation	7,934,000	7,444,000	8,417,000	6,440,000	5,643,000

14. Provisions for long service awards

Reconciliation of provisions for long service awards - 2015

	Opening Balance	Additions	Total
Long Service Awards	7,595,000	1,480,000	9,075,000

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
14. Provisions for long service awards (continued)		
Reconciliation of provisions for long service awards - 2014		
	Opening Balance	Additions
Long Service Awards	7,190,000	405,000
		Total
		7,595,000
Amounts recognised in the statement of Financial Performance are as follows:		
Current service cost	(1,300,000)	(1,235,000)
Interest cost	(647,000)	(557,000)
Actuarial gains/(losses)	(582,146)	384,599
Cash Movements		
Benefit payments	1,049,146	1,002,401
	(1,480,000)	(405,000)
Amounts recognised in the statement of Financial Position are as follows:		
Defined benefit obligation	9,075,000	7,595,000
<p>The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of GRAP 25 by ZAQ Consultants and Actuaries on 30 June 2015.</p>		
Key assumptions used:		
Assumptions used at the reporting date:		
Discount rates used	Yield curve	7.96 %
Salary inflation	Equal to CPI	7.33 %
Net discount rate	Yield curve	0.59 %
<p>The basis on which the discount rate has been determined is as follow:</p> <p>The nominal and zero curves as at 30 June 2015 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.</p>		
15. Revaluation reserve		
Opening balance	14,399,324	15,213,214
Reserve realised	(800,587)	(813,890)
	13,598,737	14,399,324
16. Other income		
Insurance claim received	30,689	921,676
Jazz festival income	488,145	1,266,788
Recoveries - Councillors and officials	483,291	9,458
Sundry income	289,616	563,113
	1,291,741	2,761,035
17. Interest received		
Bank	1,144,358	1,608,746
Short term deposits	6,894,158	6,962,779
	8,038,516	8,571,525

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Government grants and subsidies		
Equitable share	137,551,000	134,501,000
Expanded public works program integrated grant	1,921,922	133,078
Financial management grant	1,250,000	1,250,000
Municipal systems improvement grant	934,000	890,000
Rural roads asset management system grant	1,709,000	-
Skills education training authorities intern program	891,000	1,740,000
Skills education training authorities skills levy	935,119	180,508
	145,192,041	138,694,586

Equitable share

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

Financial management grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	-

The purpose of the financial management grant is to assist municipalities to implement financial reforms required by MFMA..

Municipal systems improvement grant

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

The fund is used to assist the district in building capacity to perform its functions and stabilise institutional and governance systems as required by the Municipal Systems Act (Act 32 of 2000).

Expanded public works program integrated grant

Balance unspent at beginning of year	866,922	-
Current-year receipts	1,055,000	1,000,000
Conditions met - transferred to revenue	(1,921,922)	(133,078)
	-	866,922

The grant was received by the municipality based on its ability to meet the performance requirements as set by the Department of Public Works.

Skills education training authorities intern program

Current-year receipts	891,000	1,740,000
Conditions met - transferred to revenue	(891,000)	(1,740,000)
	-	-

The purpose of the SETA grant is aimed at skills development, promoting growth in employment and capacity building to address scarce skills.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
18. Government grants and subsidies (continued)		
Skills education training authorities skills levy		
Current-year receipts	935,119	180,508
Conditions met - transferred to revenue	(935,119)	(180,508)
	-	-

The purpose of the SETA skills levy is aimed at skills development, promoting growth in employment and capacity building to address scarce skills.

Rural roads asset management system grant

Current-year receipts	1,709,000	-
Conditions met - transferred to revenue	(1,709,000)	-
	-	-

The purpose of the Rural roads asset management system grant is to assist the rural district municipalities to set up their road asset management systems and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. Employee related costs

Annual bonus	3,119,326	3,176,804
Contributions of UIF, pension and medical aids	11,043,415	10,036,887
Housing benefits	298,255	285,608
Leave pay provision charge	2,616,257	2,460,383
Long-service awards	2,529,146	405,000
Overtime payments	1,444,119	1,290,297
Performance bonus	-	860,137
Retrenchment - Provident fund contributions	1,648,769	-
Salaries and wages	46,445,749	42,242,803
Termination benefits	490,000	29,401
Travel and motor car allowances	10,659,362	9,818,984
	80,294,398	70,606,304

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of Municipal Manager: ML Molibeli

Annual remuneration	1,205,792	1,120,873
Car allowance	454,070	446,803
Contributions to UIF, medical and pension funds	250,696	221,320
Performance bonuses	-	238,000
	1,910,558	2,026,996

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
19. Employee related costs (continued)		
Remuneration of - Chief Finance Officer: G Mashiyi		
Annual remuneration	1,171,985	1,078,140
Car allowance	363,256	359,380
Contributions to UIF, medical and pension funds	16,624	1,785
Performance bonuses	-	190,400
	1,551,865	1,629,705
Remuneration of Director - LED: V Moloji		
Annual remuneration	777,796	714,661
Back pay	188,056	-
Car allowance	144,000	136,000
Contributions to UIF, medical and pension funds	185,749	173,178
Performance bonuses	-	136,633
	1,295,601	1,160,472
Remuneration of Director - PMU		
The position Director: PMU were vacant during the 2013/2014 and 2014/2015 financial year.		
Remuneration of Director - Corporate Services: Adv A Mini		
Annual remuneration	869,368	813,098
Car allowance	266,000	266,000
Contributions to UIF, medical and pension funds	37,446	19,053
Performance bonuses	-	147,602
	1,172,814	1,245,753
Remuneration of Director - Health and Safety: N Sgudu		
Annual remuneration	883,667	818,667
Car allowance	266,000	266,000
Contributions to UIF, medical and pension funds	23,147	16,544
Performance bonuses	-	147,602
	1,172,814	1,248,813
20. Remuneration of councillors		
Executive mayor	787,849	745,621
Speaker	618,791	583,908
Mayoral committee members	2,597,396	1,730,686
Councillors	2,572,554	2,922,828
	6,576,590	5,983,043

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Remuneration of councillors (continued)		
Executive Mayor - Cllr MP Moshodi		
Basic salary	476,908	443,975
Car allowance	183,868	175,950
Cellphone allowance	41,820	41,820
Social contributions	85,253	83,876
	787,849	745,621
Speaker - Cllr KGL Nkethu		
Basic salary	380,723	352,174
Car allowance	147,094	140,760
Cellphone allowance	20,868	20,868
Social contributions	70,106	70,106
	618,791	583,908
MPAC Chair Person: Cllr LS Kubeka		
Basic salary	231,089	216,985
Car allowance	75,583	72,328
	306,672	289,313
MMC - Technical services: Cllr K Khumalo		
Basic salary	211,792	196,606
Car allowance	84,777	81,126
Social contributions	47,406	46,771
	343,975	324,503
MMC - Social development: Cllr GN Guza		
Basic salary	353,954	329,225
Car allowance	137,901	131,963
Cellphone allowance	20,868	20,868
Social contributions	67,696	66,664
	580,419	548,720
MMC - EHS and public safety: Cllr ME Magashule		
Basic salary	-	162,252
Car allowance	-	54,084
Cellphone allowance	-	623
	-	216,959

Councillor ME Magashule, only served the municipality up to 28 February 2013.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Remuneration of councillors (continued)		
MMC - EHS and public safety: Cllr VE de Beer		
Basic salary	259,080	20,281
Car allowance	84,777	6,760
	343,857	27,041
Councillor VE de Beer, assumed duties with the municipality with effect from 1 June 2014.		
MMC - LED and tourism: Cllr ML Hlapane		
Basic salary	212,426	196,606
Car allowance	84,777	81,126
Social contributions	46,771	46,771
	343,974	324,503
MMC - Finance: Cllr ME Notsi		
Basic salary	221,371	206,551
Car allowance	82,741	79,178
Social contributions	31,602	30,983
	335,714	316,712
MMC - Corporate services: Cllr AM Olifant		
Basic salary	213,135	196,606
Car allowance	84,777	81,126
Social contributions	46,062	46,062
	343,974	323,794
Part Time Councillors		
Cllr's: ME Mokoena, ML Pietersen, SJMT Mahlakazela, DP van der Westhuizen, MC Spruit, SH Pittaway, MS Taje, DLS George, KJ Makhoba, D de Hart		
Basic salary	1,633,904	1,471,508
Car allowance	532,952	490,949
Cellphone allowance	201,724	191,944
	2,368,580	2,154,401
Sitting allowance for seconded councillors of local municipalities	200,719	127,570

In-kind benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
21. Depreciation and amortisation		
Intangible assets	191,940	117,081
Property, plant and equipment	3,420,872	3,704,963
	3,612,812	3,822,044
22. Finance costs		
Interest on long term loans	1,011,421	377,622
Finance cost relates to financial liabilities at amortised cost.		
23. Contracted services		
Various contractors	13,264,785	9,505,675
These payments are contracts which have been entered into during the current and prior financial year		
Cleaning services	392,457	309,104
Climate change and green economy	3,065,693	609,650
Establishment of district centre	-	8,965
Improve response incidents	1,237,515	846,866
Jazz festival	5,742,828	5,855,694
Municipal systems improvement programme	-	656,802
Other	58,500	37,100
Performance system	2,339,177	692,591
Sport development programs	242,127	488,903
Upgrading of municipal resorts	171,569	-
	13,249,866	9,505,675
24. Grants and subsidies paid		
Develop stadium parking	234,331	-
District areas	2,071,089	-
Mafube Local Municipality	10,448,440	3,386,241
Metsimaholo Local Municipality	4,582,759	1,057,095
Moqhaka Local Municipality	-	2,016,315
Ngwathe Local Municipality	7,519,305	5,588,908
Rural road asset management system	1,601,743	-
Support to local municipality - capacity building	1,463,802	1,270,521
Support to local municipality - disaster management	163,200	130,000
	28,084,669	13,449,080

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
25. General expenses		
Accounting fees	150,000	175,439
Advertising	421,731	347,997
Air quality management	186,650	145,250
Auditors remuneration	4,014,429	2,518,433
Bank charges	99,935	78,746
Bursaries: External students	1,577,161	1,688,475
Bursaries: Internal	333,779	549,189
Catering	3,966,741	5,462,732
Cleaning	15,180	200,267
Community development and training	856,270	1,127,066
Conferences and seminars	452,116	644,036
Consulting and professional fees	110,106	369,067
Consumables	141,292	265,967
Corporate gifts	132,750	91,802
Corporate reports	623,595	178,234
Distribution to beneficiaries (HIV and Aids)	900,000	1,300,000
District outreach programmes	64,205	-
Donations	676,741	1,191,605
Emergency funds	567,776	199,398
Employee assistance program	133,304	14,805
Entertainment	698,111	1,225,013
Entrepreneurial support system	597,499	346,247
Environmental health projects	72,800	189,839
Event expenses	6,079,617	6,735,633
Fleet	73,309	75,270
Fuel and oil	1,255,516	1,000,345
IDP implementation monitoring	296,000	589,460
IT expenses	1,291,286	1,269,957
Insurance	359,658	294,315
Insurance: Workers compensation assistance	-	333,871
Learnership: Service provider	710,739	1,669,653
Learnership: Student material	62,014	26,155
MHS auxiliary services projects	-	47,630
Magazines, books and periodicals	59,976	130,480
Marketing	2,520,099	2,434,795
Medical expenses	-	626
Municipal services	1,021,764	686,589
Other expenses	3,309,498	2,881,648
Policy review	-	29,880
Postage and courier	6,949	8,935
Printing and stationery	1,580,636	2,001,872
Promotions	1,688,269	343,206
Protective clothing	167,288	703,060
Public participation meetings	-	42,689
Rental equipment	2,257,177	1,272,464
Research and development costs	-	100,000
Royalties and license fees	56,878	13,832
Sampling testing	301,951	300,829
Security (Guarding of municipal property)	103,506	81,603
Stipends	2,482,397	1,776,021
Subscriptions and membership fees	786,480	718,679
Telephone and fax	1,128,308	982,544
Tourism development	-	382,900
Training	557,583	934,820
Travel - local	6,202,329	6,472,642
	51,151,398	52,652,010

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
25. General expenses (continued)		
Donations		
All donations made by the municipality are in terms of the council's donation policy.		
26. Other receipts		
Administration and management fees received	38,340	78,020
Insurance claim received	30,689	921,676
Jazz festival income	488,145	1,266,788
Recoveries - Councillors and officials	483,291	9,458
Sundry income	289,616	563,113
	1,330,081	2,839,055
27. Cash used in operations		
Deficit	(29,524,633)	(14,141,314)
Adjustments for:		
Depreciation and amortisation	3,612,812	3,822,044
Gain on sale of assets and liabilities	345,990	(77,907)
(Reversal of impairment)/debt impairment	(1,821,000)	6,269,593
Movements in operating lease assets and accruals	(44,320)	81,900
Movements in retirement benefit assets and liabilities	490,000	(973,000)
Movements in provisions	1,480,000	405,000
Changes in working capital:		
Receivables from exchange transactions	(3,036,519)	1,085,285
Payables from exchange transactions	2,404,933	3,658,846
VAT	7,433,652	(1,741,566)
Unspent conditional grants and receipts	(4,552,242)	1,210,409
	(23,211,327)	(400,710)

28. Retirement Benefit Information

Councillors and employees belong to two defined benefit retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These Funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed June 2008. The Free State Municipal Pension Fund, net assets that are available for benefits at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the fund was in a sound financial position. The estimated liability of the funds is R 1 576 689 000 which is adequately financed.

No new information was available at reporting date.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

29. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

1. Property, plant and equipment

During the 2014-15 financial year, the municipality corrected depreciation on property, plant and equipment incorrectly processed during the 2013-14 financial year.

The effect of this adjustment on the prior year is as follows:

Adjustments affecting the statement of financial position

Decrease in property, plant and equipment	124,643
Increase in accumulated surplus	(124,643)
	<u>-</u>

Adjustments affecting the statement of financial position

Increase in depreciation and amortisation	<u>124,910</u>
---	----------------

2. Payables from exchange transactions

During the 2014-15 financial year the municipality reversed accruals incorrectly raised during 2013-14 financial year.

The effect of these adjustments on the prior year are as follows:

Adjustments affecting the statement of financial position

Decrease in payables from exchange transactions	1,188,364
Decrease in accumulated surplus	29,589
Increase in opening accumulated surplus	(1,217,953)
	<u>-</u>

Adjustments affecting the statement of financial performance

Decrease in employee related cost	2,438
Increase in repairs and maintenance	(40,772)
Decrease in grants and subsidies paid	193,078
Increase in general expenditure	(184,333)
	<u>(29,589)</u>

3. Revaluation reserve

During the 2014-15 financial year, the municipality corrected entries relating to revaluation reserve incorrectly allocated to accumulated surplus during the 2013-14 financial year.

The effect of this adjustment on the prior year is as follows:

Adjustments affecting the statement of financial position

Decrease in opening revaluation reserve	1,252,997
Increase in opening accumulated surplus	(1,252,997)
	<u>-</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
29. Prior period errors (continued)		
4. Receivables from exchange transactions		
During the 2014-2015 financial year the municipality corrected expenditure incurred during the 2013-2014 financial year through the credit card, not allocated.		
Adjustments affecting the statement of financial position		
Decrease in receivables from exchange transactions		(156,098)
Decrease in accumulated surplus		156,098
		<u>-</u>
Adjustments affecting the statement of financial performance		
Increase in general expenditure		<u>(156,098)</u>
5. Cash and cash equivalents		
During the 2014-2015 financial year the municipality reversed interest incorrectly accrued during the 2013-2014 financial year.		
Adjustments affecting the statement of financial position		
Decrease in cash and cash equivalents		(1,034)
Decrease in accumulated surplus		1,034
		<u>-</u>
Adjustments affecting the statement of financial performance		
Increase in interest received - investment		408
Increase in finance charges		(1,442)
		<u>(1,034)</u>
6. Unspent conditional grants		
During the 2014-2015 financial year, the municipality corrected unspent conditional grants incorrectly accounted for during the 2012-2013 financial year.		
The effect of these adjustments on the prior year are as follows:		
Adjustments affecting the statement of financial position		
Decrease in unspent conditional grants		507,649
Increase in opening accumulated surplus		(507,649)
		<u>-</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014		
29. Prior period errors (continued)				
Statement of Financial Performance for the year ended 30 June 2013	Balance as previously reported	Prior period error	Reclassified (note 29)	Restated balance
Administration and management fees received	78,020	-	-	78,020
Other income	2,761,035	-	-	2,761,035
Interest received - investment	8,571,117	408	-	8,571,525
Gains on disposal of assets	77,907	-	-	77,907
Government grants and subsidies	138,694,586	-	-	138,694,586
Total revenue	150,182,665	408	-	150,183,073
Expenditure				
Employee related cost	(70,608,742)	2,438	-	(70,606,304)
Remuneration of councillors	(5,983,043)	-	-	(5,983,043)
Administrative expense	(1,194,040)	-	1,194,040	-
Depreciation and amortisation	(3,697,134)	(124,910)	-	(3,822,044)
Finance charges	(376,180)	(1,442)	-	(377,622)
Provision for doubtful debts	(6,269,593)	-	-	(6,269,593)
Repairs and maintenance	(1,549,881)	(40,772)	(68,363)	(1,659,016)
Contracted services	(10,555,832)	-	1,050,157	(9,505,675)
Grants and subsidies paid	(14,428,656)	193,078	786,498	(13,449,080)
General expenses	(49,349,247)	(340,431)	(2,962,332)	(52,652,010)
Total expenditure	(164,012,348)	(312,039)	-	(164,324,387)
Operating surplus / (deficit)	(13,829,683)	(311,631)	-	(14,141,314)
Surplus / (deficit) for the year	(13,829,683)	(311,631)	-	(14,141,314)

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand			2015	2014
29. Prior period errors (continued)				
Statement of Financial Position as at 30 June 2014	Balance as previously reported	Prior period error	Reclassified (note 29)	Restated balance
Assets				
Current Assets				
Receivables from exchange transactions	629,156	(156,098)	87,556	560,614
VAT receivable	3,715,288	-	-	3,715,288
Cash and cash equivalents	138,462,846	(1,034)	-	138,461,812
Total current assets	<u>142,807,290</u>	<u>(157,132)</u>	<u>87,556</u>	<u>142,737,714</u>
Non-current Assets				
Property, plant and equipment	31,712,193	(124,643)	(77,012)	31,510,538
Intangible assets	181,165	-	77,012	258,177
Total non-current assets	<u>31,893,358</u>	<u>(124,643)</u>	<u>-</u>	<u>31,768,715</u>
Liabilities				
Current Liabilities				
Payables from exchange transactions	19,657,521	(1,188,364)	87,556	18,556,713
Unspent conditional grants and receipts	8,570,457	(507,649)	-	8,062,808
Current portion of long term loans	2,644,883	-	-	2,644,883
Total current liabilities	<u>30,872,861</u>	<u>(1,696,013)</u>	<u>87,556</u>	<u>29,264,404</u>
Non-current Liabilities				
Retirement benefit obligation	7,444,000	-	-	7,444,000
Provisions for long service award	7,595,000	-	-	7,595,000
Operating lease liability	126,002	-	-	126,002
Total non-current liabilities	<u>15,165,002</u>	<u>-</u>	<u>-</u>	<u>15,165,002</u>
Net Assets				
Accumulated surplus	113,010,462	2,667,237	-	115,677,699
Revaluation reserve	15,652,321	(1,252,997)	-	14,399,324
Total net assets	<u>128,662,783</u>	<u>1,414,240</u>	<u>-</u>	<u>130,077,023</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
30. Comparative figures		
Certain comparative figures have been reclassified.		
The reason for reclassification is to classify expenditure according to correct classification. Trade receivables from exchange transactions with credit balance reclassified to payables from exchange transactions.		
The effects of the reclassification are as follows:		
Statement of financial position		
Receivables from exchange transactions		87,556
Payables from exchange transactions		(87,556)
Statement of Financial Performance		
Administrative expense		1,194,040
Repairs and maintenance		(68,363)
Contracted services		1,050,157
Grants and subsidies paid		786,498
General expenses		(2,962,332)
31. Going concern		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
32. Change in estimate		
Property, plant and equipment		
Depreciable assets' remaining useful lives were reassessed at the beginning of the current reporting period to reflect the actual pattern of service potential derived from assets.		
The effect on the current year:		
Decrease in depreciation	(258,153)	-
Increase in Property, plant and equipment	258,153	-
	<u>-</u>	<u>-</u>
33. Unauthorised expenditure		
Balance at the beginning of the year	-	-
Less: Amounts approved / written-off by council	-	-
	<u>-</u>	<u>-</u>
34. Fruitless and wasteful expenditure		
Opening balance	2,454	2,454
Fruitless and wasteful expenditure - current year	28,986	20,191
Amounts recovered	(2,978)	(3,973)
Written off by council	(28,462)	(16,218)
	<u>-</u>	<u>2,454</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
35. Irregular expenditure		
Opening balance	4,744,616	311,767
Add: Irregular Expenditure - current year	-	4,432,849
	<u>4,744,616</u>	<u>4,744,616</u>
Analysis of expenditure awaiting condonation per age classification		
Current year	-	4,432,849
Prior years	4,744,616	311,767
	<u>4,744,616</u>	<u>4,744,616</u>
Details of irregular expenditure - prior year		
SCM procedures not followed	Disciplinary steps taken/criminal proceedings	
SCM functionality not followed	Under investigation	4,354,996
	Under investigation	389,620
		<u>4,744,616</u>
36. In-kind donations and assistance		
No in-kind donations or assistance were received during the year.		
37. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	22,632	674,882
Amount paid - current year	(22,632)	(674,882)
	<u>-</u>	<u>-</u>
Audit fees		
Current year subscription / fee	4,014,429	2,518,433
Amount paid - current year	(4,014,429)	(2,518,433)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	16,520,225	14,466,370
Amount paid - current year	(16,520,225)	(14,466,370)
	<u>-</u>	<u>-</u>
Pension and medical aid deductions		
Current year subscription / fee	17,563,414	14,537,852
Amount paid - current year	(17,563,414)	(14,537,852)
	<u>-</u>	<u>-</u>

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
37. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	-	3,715,288
VAT payable	3,718,364	-
	<u>3,718,364</u>	<u>3,715,288</u>

VAT output payables and VAT input receivables are shown in note 6.

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

38. Related parties

Members of key management

Refer to note 19 and 20

There were no related party transactions identified during the financial year under review.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

39. Risk management

Financial risk management

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

Liquidity risk

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

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The municipality monitors the cash projections by ensuring that borrowing facilities are available to meet its cash requirements.

No significant financial risk pertaining to the creditors exists except for mainly operational risks that are not covered in here.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	20,897,483	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	18,556,713	-	-	-
Long term loans	2,644,883	-	-	-

Credit risk

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

Financial instrument		
Receivables from exchange transactions	5,450,702	560,614
Cash and cash equivalents	109,743,251	138,461,812

Market risk

Interest rate risk

The municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.

The risk is managed on an on-going basis.

40. Events after the reporting date

No events took place after the reporting date.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
41. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.		
Deviations from supply chain management regulations did occur. These deviations were submitted and noted by council. A detailed deviation register is available at the municipality for inspection.		
Deviation categories		
Emergency	540,820	49,210
Others	264,090	207,767
	804,910	256,977
42. Financial instruments disclosure		
Categories of financial instruments		
2015		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	5,450,702	5,450,702
Cash and cash equivalents	109,743,251	109,743,251
	115,193,953	115,193,953
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	20,897,483	20,897,483
2014		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	560,614	560,614
Cash and cash equivalents	138,461,812	138,461,812
	139,022,426	139,022,426
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	18,556,713	18,556,713
Long term loans	2,644,883	2,644,883
	21,201,596	21,201,596

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Design and establish parks in greening entrance into Tumahole on Parys	934,307	2,482,929
• Develop stadium parking	4,415,669	-
• Electrification stands - Edenville	-	705,480
• Metsimaholo sewer connections gortin 240	857,480	5,617,985
• Ngwathe rehabilitation of streets	4,833,000	-
• Qalabotjha construction sewer network	2,749,082	3,137,572
• Qalabotjha stadium	-	1,453,733
• Rehabilitation - Kruis street Parys	11,760,922	2,970,836
• Rural roads asset management system	107,257	-
	25,657,717	16,368,535

This committed expenditure relates to property and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	977,680	1,388,420
- in second to fifth year inclusive	-	977,680
	977,680	2,366,100

The municipality rents photocopy machines from Nashua Vaal, being the major supplier:

- no contingent rent is payable in terms of the lease agreements.
- there is no renewal as per lease agreement terms, and the lease escalates as determined in the various lease agreements with the renter; and
- no restrictions are imposed by lease arrangements, with regards to additional debt and further leasing.

The lease agreements is for a total period of 36 months (3 years).

44. Contingencies

The municipality had the following contingent liabilities as at year-end:

The certainty and timing of the outflow of these liabilities are uncertain. The amount disclosed below are possible outflow;

FDDM/SAMWU obo P. Setsheli - Labour case	1,000,000	1,000,000
FDDM/SAMWU obo T. Gorati - Labour case	600,000	600,000
FDDM/IMATU obo T. Odendaal - Labour case	-	900,000
FDDM/T. Mohlakoana	-	100,000
FDDM/A. Radebe	-	100,000
FDDM/Nyumba Mobile Homes & Office Pty (Ltd)	353,130	-
	1,953,130	2,700,000

- P. Setsheli: Dismissal due to misconduct in refusing to take lawful orders.
- T. Gorati: Dismissal due to misconduct, the applicant is contesting the dismissal.
- T. Odendaal: Suspended due to misconduct and faces possible dismissal.
- T. Mohlakoan: Resigned on constructive dismissal and has given notice of intention to go for arbitration.
- A. Radebe: Resigned on constructive dismissal and indicated, labour court will be approached.

Fezile Dabi District Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

45. Budget differences

Material differences between budget and actual amounts

1. Administration and management fees received - Decrease in the number of tender documents sold.
2. Other income - Recovery of telephone and cellphone for private use.
3. Remuneration of councillors - Councillors that resigned and not replaced, Mayco Members only getting difference between their own local municipality and Fezile Dabi District Municipality Mayco amounts.
4. Transfer payments - Other - Contribution from accumulated surplus to cover deficit on expenditure.
5. Depreciation and amortisation - Assets useful life was reviewed.
6. Finance costs - Loan was redeemed early.
7. Contracted services - Underspending on spatial plan, master plan, upgrading of municipal resorts, green house Koppies and sport development.
8. Grants and subsidies paid - Late start of projects in Local Municipalities.
9. General expenses - Cost savings due to budget deficit.

Differences between budget and actual amounts basis of preparation and presentation

The budget is approved on a accrual basis by functional classification. The approved budget covers the period from 1 July 2014 to 30 June 2015. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements basis agree to budget basis, no 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.

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2015

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015								
	Loan Number	Redeemable	Balance at 30 June 2014	Received during the year	Redeemed written off during the year	Balance at 30 June 2015	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
EXTERNAL LOANS			R	R	R	R	R	R
LONG-TERM LOANS								
Stock Loan @ 10% - Tumahole Parys	10055/1	30 June 2015	-	-	-	-	-	-
Stock Loan @ 10% - Maokeng	10054/1	30 June 2015	-	-	-	-	-	-
Stock Loan @ 12% - Maokeng	10054/2	31 December 2016	-	-	-	-	-	-
Stock Loan @ 12% - Maokengbrentpark	10057/1	31 December 2015	-	-	-	-	-	-
Stock Loan @ 12% - Mokwallo Vredefort	10056/1	31 December 2015	-	-	-	-	-	-
Stock Loan @ 10% - Phiritona Heilbron	10058/1	31 December 2016	-	-	-	-	-	-
Stock Loan @ 10% - Viljoenskroon	10066/1	31 December 2015	-	-	-	-	-	-
Stock Loan @ 10% - Zamdela	10076/1	31 December 2015	-	-	-	-	-	-
Stock Loan @ 10% - Zamdela	10076/2	31 December 2015	-	-	-	-	-	-
Stock Loan @ 15.25% - Sasolburg	10243/3	31 December 2016	-	-	-	-	-	-
Stock Loan @ 16.50% - Sasolburg	13304/1	31 December 2018	1 531 304	-	1 531 304	-	-	-
Stock Loan @ 16.50% - Sasolburg	13304/2	31 December 2018	1 104 680	-	1 104 680	-	-	-
Stock Loan @ 15.25% - Sasolburg Kroonstad	10243/5	31 December 2016	-	-	-	-	-	-
TOTAL EXTERNAL LOANS			2 635 983	-	2 635 983	-	-	-

FEZILE DABI DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2015

	COST				Accumulated Depreciation					Carrying Value	Budget Additions 2015
	Opening	Additions	Disposals	Closing	Opening	Revision of	Depreciation	Disposals	Closing		
	balance			balance	balance	Asset Useful Life			balance		
Land and Buildings											
Land	2 590 000	-	-	2 590 000	-	-	-	-	-	2 590 000	-
Buildings	18 912 215	117 954	26 240	19 003 929	1 224 086		977 417	23 429	2 178 074	16 825 855	-
				-					-	-	
Other PPE											
Office equipment	2 557 364	47 851	128 565	2 476 650	1 871 037		209 494	112 296	1 968 235	508 415	-
Furniture and Fittings	4 278 102	237 345	30 263	4 485 184	3 137 794		314 180	24 860	3 427 114	1 058 069	-
Computer equipment	5 835 920	355 580	569 917	5 621 582	4 455 695		519 304	510 557	4 464 442	1 157 140	-
Plant and Machinery	12 204	-	-	12 204	11 948		96	-	12 044	160	-
Motor Vehicles	10 200 583	619 534	163 916	10 656 202	3 759 536		1 078 612	163 916	4 674 232	5 981 970	-
Other Assets	3 031 953	186 307	24 083	3 194 177	1 447 975		322 668	12 097	1 758 547	1 435 630	-
TOTAL	47 418 341	1 564 572	942 985	48 039 928	15 908 071	-	3 421 772	847 154	18 482 689	29 557 239	-

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2015

	COST					Accumulated Depreciation					Carrying Value
	Opening balance	Additions	Additions Under Construction	Disposals	Closing balance	Opening balance	Depreciation	Disposals	Change In Estimates	Closing balance	
Executive & Council	24 272 935	977 256	-	(1 274 672)	23 975 519	2 949 177	944 958	(997 160)	171 570	3 068 545	20 906 974
Municipal Manager	1 645 481	169 312	-	(100 614)	1 714 179	1 082 140	203 776	(86 849)	47	1 199 114	515 065
Finance	7 473 864	226 073	-	(54 474)	7 645 463	4 198 316	825 946	(51 436)	(35 560)	4 937 266	2 708 197
Information Technology	3 188 090	66 320	-	(13 250)	3 241 159	2 684 956	246 780	(11 483)	(255)	2 919 998	321 161
PMU	277 823	11 374	-	-	289 197	213 361	22 827	-	4 401	240 589	48 608
Corporate Support Services	990 344	44 797	-	(91 850)	943 292	692 086	102 430	(76 845)	(113)	717 559	225 733
Fire & Emergency Services	7 545 204	8 232	-	-	7 553 436	2 573 122	804 928	-	(65 502)	3 312 548	4 240 888
Disaster Management	47 579	-	-	-	47 579	29 674	7 411	-	(255)	36 830	10 749
LED	486 628	17 651	-	(2 400)	501 880	345 364	44 047	(1 000)	5 682	394 093	107 787
Environmental Health	1 813 792	43 289	-	(27 047)	1 830 035	1 014 965	217 766	(19 663)	44 896	1 257 964	572 071
TOTAL	47 741 741	1 564 305	-	(1 564 307)	47 741 740	15 783 161	3 420 869	(1 244 434)	124 909	18 084 506	29 657 234

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2015

2014 REVENUE	2014 EXPENSES	2014 Surplus/ (Deficit)		2015 REVENUE	2015 EXPENSES	2015 Surplus/ (Deficit)
R	R	R		R	R	R
-	41 524 361	(41 524 361)	Executive & Council	-	33 783 951	(33 783 951)
-	18 497 879	(18 497 879)	Corporate Support Services	-	21 946 305	(21 946 305)
-	19 983 039	(19 983 039)	Municipal Manager	-	21 759 345	(21 759 345)
-	18 753 270	(18 753 270)	Finance	-	19 730 802	(19 730 802)
-	2 998 618	(2 998 618)	Information Technology	-	3 017 298	(3 017 298)
-	16 617 336	(16 617 336)	PMU	-	32 414 453	(32 414 453)
-	17 427 154	(17 427 154)	Environmental Health	-	20 968 581	(20 968 581)
-	6 833 951	(6 833 951)	Disaster Management	-	6 603 348	(6 603 348)
-	12 473 348	(12 473 348)	LED	-	13 710 005	(13 710 005)
-	8 901 738	(8 901 738)	Fire & Emergency Services	-	9 904 109	(9 904 109)
150 183 072	-	150 183 072	Income	154 214 648	-	154 214 648
150 183 072	164 010 691	(13 827 619)	Sub Total	154 214 648	183 838 196	(29 623 549)

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2015

	<u>2015 Actual</u>	<u>2015 Under Construction</u>	<u>2015 Total Additions</u>	<u>2015 Budget</u>	<u>2015 Variance</u>	<u>2015 Variance</u>	<u>Explanation of Significant Variances greater than 10% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	246 962	-	246 962	270 000	(23 038)	-8.53%	
Municipal Manager	41 868	-	41 868	280 000	(238 132)	-85.05%	Cost saving
Finance	619 534	-	619 534	700 000	(80 466)	-11.50%	Vehicle purchased was cheaper
Information Technology	1 311 953	-	1 311 953	1 450 000	(138 047)	-9.52%	New Servers were not procured
PMU	371 641	-	371 641	2 625 000	(2 253 359)	-85.84%	1149%
Corporate Support Services	23 520	-	23 520	50 000	(26 480)	-52.96%	Cost saving
Fire & Emergency Services	-	-	-	1 500 000	(1 500 000)	-100.00%	Fire vehicle still under construction
Disaster Management	-	-	-	-	-	0.00%	
LED	-	-	-	10 000	(10 000)	-100.00%	Cost saving
Environmental Health	150 138	-	150 138	150 000	138	0.09%	
TOTAL	2 765 617	-	2 765 617	7 035 000	(4 269 384)	-60.69%	

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX F1

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2015

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	National Treasury	54 447 000	45 850 000	37 254 000		38 532 759	51 656 254	37 039 743	46 190 643		-	-	-	-	Y	-
FMG	National Treasury	1 250 000				250 919	359 407	285 152	341 444		-	-	-	-	Y	-
MSIG	National Treasury	934 000				-	9 630	694 920	228 408		-	-	-	-	Y	-
EPWP	Department of Public Works, Roads and Transport	422 000	316 000	317 000		1 493 805	577 284	-	-		-	-	-	-	Y	

FEZILE DABI DISTRICT MUNICIPALITY

APPENDIX F2

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2015

Grant Description	Opening Balance 30 June 2014	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Closing Balance 30 June 2015
	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
Department of Health - Metsimaholo Hospital	69 988				-69 988.00		-
Department of Health - Relebohile Clinic: Ngwathe Local Municipality	4 062 277				-2 634 344.00		1 427 933
Department of Public Works - Church: Ngwathe Local Municipality	85 794						85 794
Department of Roads, Transport and Police - Internal Roads	732 391						732 391
Department of Sports - Grant: Fezile Dabi Stadium	1 264 448						1 264 448
Expanded public works program integrated grant	866 923	1 055 000			-1 921 923.00		-
Lottery grant	980 987				-980 987.00		-
							-
							-
Total	8 062 808	1 055 000			(5 607 242)		3 510 566
UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
Department of Sports - Stadium		-	-	-		-	-
Total	-	-	-	-	-	-	-
TOTAL UNSPENT CONDITIONAL GRANTS	8 062 808	1 055 000	-	-	(5 607 242)	-	3 510 566