



BUSHBUCKRIDGE LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

General Information

LEGAL FORM OF ENTITY

Local Municipality

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003

MAYORAL COMMITTEE

Executive Mayor	Khumalo RE
Speaker	Selowe PT
Chief Whip	Nxumalo CS
Member of Mayoral Committee	Selowe E
Member of Mayoral Committee	Sibuyi FF
Member of Mayoral Committee	Timba FS
Member of Mayoral Committee	Mathebula S
Member of Mayoral Committee	Mokoena BT
Member of Mayoral Committee	Malumane L
Service Delivery Committee Chairperson	Makaringe TM
Municipal Public Accounts Committee Chairperson	Makhubela D
	Bongco PB
	Bulunga SG
	Chabangu MM
	Chadi SM
	Chiloane F
	Chiloane LB
	Godi Z
	Hlathi XE
	Khosa LE
	Khoza EN
	Khumalo S
	Kubayi N
	Lekhuleni ML
	Mabunda NL
	Makhubela BB
	Makhubele RD
	Malandule BW
	Malebe LR
	Malele LS
	Malibe HD
	Malomane LM
	Maphansa PT
	Mashaba DT
	Mashaba ME
	Mashabane DR
	Mashego TD
	Masinga NC
	Mathebula G
	Mathebula M
	Mathebula NL
	Mathebula SS
	Maunye C
	Maunye E

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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General Information

Mbhandze F
Mhaule LS
Mmola L
Mnene F
Mnisi C
Mnisi HB
Mnisi ML
Mnisi SP
Mokoena BT
Mokwena D
Monareng CP
Mthabine J
Mthisi CR
Mthombeni T
Myanga BP
Mzimba VK
Nkuna M
Nonyane FS
Nxumalo TA
Nyundu EM
Phelepe MS
Raganya BR
Rahlane SN
Sebashi D
Sebatane GB
Seerane A
Shilakwe MC
Sibulelo RS
Sibuyi TS
Siwela PF
Thethe L
Thobakgale HP
Tibane C
Tshobede RD
Zitha GS

GRADING OF LOCAL AUTHORITY

4

CHIEF FINANCIAL OFFICER (CFO)

Mrs CA Nkuna

ACCOUNTING OFFICERS

Mr C Lisa

REGISTERED OFFICE

R533 Graskop Road
Bushbuckridge
1280

POSTAL ADDRESS

Private Bag X9308
Bushbuckridge
1280

BANKERS

First National Bank
Standard Bank of South Africa

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

General Information

AUDITORS

The Auditor General South Africa (AGSA)

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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

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ABBREVIATIONS

EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IMATU	Independent Municipal and Allied Trade Union
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
MWIG	Municipal Water Infrastructure Grant
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SARS	South African Revenue Services

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

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 deficiency.

The Accounting Officer reviewed the municipality's cash flow forecast for the 12 months to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 7 to 65, which have been prepared on the going concern basis were approved by the Council on 27 August 2015 and were signed on its behalf by:

Mr C Lisa
Accounting Officer

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meet on a regular basis per annum as per its approved terms of reference. During the current year five meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Roy Mnisi (Chairperson)	5
Twetile Norah Mthembu (Member)	5
Thabisile Ranape (Resigned)	2

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA and Treasury Regulations.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of The Auditor-General South Africa, any material deficiencies in the system of internal controls or any deviations therefrom are disclosed in their Audit report (Other Matters).

QUALITY OF PERIODIC REPORTS

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report;
- reviewed The Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the prior year audit.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external audit used internal audit reports for risk identification purposes but did not place reliance on the internal audit reports.

Chairperson of the Audit Committee

Date: _____

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submit his report for the year ended 30 June 2015.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipality is engaged in provision of municipal services in terms of the Municipal Systems Act no.32 of 2000 (MSA) and Municipal Finance Management Act no.56 of 2003 and operates principally in South Africa.

Net surplus of the municipality was R 328 049 623 (2014: surplus R 511 317 756).

2. 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.

3. SUBSEQUENT EVENTS

The amount of R147 631 000 for Equitable Share which was withheld during the current year by National Treasury was subsequently received after year end.

4. ACCOUNTING OFFICERS' INTEREST IN CONTRACTS

The Accounting Officer declared his interest in terms of the Supply Chain Management Regulations.

5. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board as prescribed framework by National Treasury.

6. ACCOUNTING OFFICERS

The Accounting Officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr C Lisa	South African	Appointed 12 January 2015
Mr E Ngomane (Administrator)	South African	Resigned 09 January 2015

7. CORPORATE GOVERNANCE

GENERAL

The Accounting Officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with certain selected and applicable sections of the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III. The Accounting Officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

INTERNAL AUDIT

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

8. BANKERS

The municipality's bankers did not change during the year under review.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

9. AUDITORS

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality into the foreseeable future.

BUSHBUCKRIDGE LOCAL 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			
Inventories	3	2 429 669	949 934
Receivables from non-exchange transactions	4	453 119 711	186 888 239
VAT receivable	5	77 635 969	75 133 526
Receivables from exchange transactions	6	193 257 264	148 444 738
Cash and cash equivalents	7	213 635 337	152 577 497
		940 077 950	563 993 934
NON-CURRENT ASSETS			
Property, plant and equipment	8	2 012 201 651	1 780 233 005
Intangible assets	9	1 685 906	2 075 365
		2 013 887 557	1 782 308 370
Total Assets		2 953 965 507	2 346 302 304
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	10	560 244 244	595 598 493
Consumer deposits	11	2 421 260	2 421 060
Unspent conditional grants and receipts	12	64 767 102	4 540 565
Provisions	13	29 614 512	20 940 378
		657 047 118	623 500 496
NON-CURRENT LIABILITIES			
Financial liability	44	80 787 121	-
Provisions	13	35 256 500	39 360 901
		116 043 621	39 360 901
Total Liabilities		773 090 739	662 861 397
Net Assets		2 180 874 768	1 683 440 907
Accumulated surplus		2 180 874 768	1 683 440 907

* See Note 36

BUSHBUCKRIDGE LOCAL 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			
Service charges	15	32 737 586	33 826 522
Rental of facilities and equipment	16	883 938	416 077
Agency services	17	9 925 851	10 028 199
Licences and permits	18	3 298 275	394 654
Other income	19	2 246 367	7 255 641
Interest earned	20	9 570 022	68 625 686
Revenue from non-exchange transactions			
Property rates	21	160 249 806	55 801 359
Realisation of grants	22	896 026 073	956 979 696
Fines and penalties		1 151 980	2 893 879
Total revenue		1 116 089 898	1 136 221 713
Expenditure			
Employee related costs	23	(281 150 470)	(244 570 747)
Remuneration of councillors	24	(27 764 424)	(24 072 327)
Depreciation and amortisation	25	(76 511 376)	(67 313 119)
Finance costs	26	(773 599)	(8 119 779)
Impairment of receivables	27	(49 589 427)	45 778 080
Repairs and maintenance	28	(27 821 269)	(60 546 196)
Bulk purchases	29	(208 977 289)	(132 913 774)
Contracted services	30	(41 297 265)	(47 757 740)
Grant funded expenditure	31	(14 871 751)	(39 946 931)
General expenses	32	(59 205 051)	(48 592 551)
Total expenditure		(787 961 921)	(628 055 084)
Operating surplus		328 127 977	508 166 629
(Loss)/Gain on disposal of assets	46	(1 062 354)	3 151 126
Actuarial gains/(losses)		984 000	-
		(78 354)	3 151 126
Surplus for the year		328 049 623	511 317 755

* See Note 36

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported 01 July 2013	1 101 502 576	1 101 502 576
Prior year adjustments- Refer to Note 36	70 620 575	70 620 575
Restated Balance at 01 July 2013	1 172 123 151	1 172 123 151
Surplus for the year	<u>511 317 756</u>	<u>511 317 756</u>
Total changes	<u>511 317 756</u>	<u>511 317 756</u>
Restated* Balance at 01 July 2014	1 683 440 907	1 683 440 907
Net adjustments	<u>169 384 238</u>	<u>169 384 238</u>
Net income recognised directly in net assets	169 384 238	169 384 238
Surplus for the year	<u>328 049 623</u>	<u>328 049 623</u>
Total recognised income and expenses for the year	<u>497 433 861</u>	<u>497 433 861</u>
Total changes	<u>497 433 861</u>	<u>497 433 861</u>
Balance at 30 June 2015	<u>2 180 874 768</u>	<u>2 180 874 768</u>
Note(s)		

* See Note 36

BUSHBUCKRIDGE LOCAL 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			
Receipts from customers		56 892 494	64 941 048
Grants		808 621 611	810 313 326
Interest earned		9 570 022	7 324 743
		<u>875 084 127</u>	<u>882 579 117</u>
Payments			
Employee costs		(308 914 894)	(268 643 074)
Suppliers		(196 684 877)	(314 960 454)
Finance Costs		(177 735)	(436 048)
		<u>(505 777 506)</u>	<u>(584 039 576)</u>
Net cash flows from operating activities	34	<u>369 306 621</u>	<u>298 539 541</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(308 575 704)	(263 419 644)
Proceeds from sale of assets	8	713 776	3 151 126
Purchase of intangible assets	9	(386 853)	-
Net cash flows from investing activities		<u>(308 248 781)</u>	<u>(260 268 518)</u>
Net increase in cash and cash equivalents		61 057 840	38 271 023
Cash and cash equivalents at the beginning of the year		<u>152 577 497</u>	<u>114 306 474</u>
Cash and cash equivalents at the end of the year	7	<u>213 635 337</u>	<u>152 577 497</u>

* See Note 36

BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	49 420 000	(3 760 000)	45 660 000	32 737 586	(12 922 414)	1
Rental of facilities and equipment	831 000	(10 000)	821 000	883 938	62 938	
Agency services	8 268 000	-	8 268 000	9 925 851	1 657 851	2
Licences and permits	15 317 000	-	15 317 000	3 298 275	(12 018 725)	3
Other income	4 515 000	(525 000)	3 990 000	2 246 367	(1 743 633)	
Interest received - investment	4 700 000	2 300 000	7 000 000	9 570 022	2 570 022	4
Interest on outstanding debtors	18 000 000	-	18 000 000	-	(18 000 000)	5
Total revenue from exchange transactions	101 051 000	(1 995 000)	99 056 000	58 662 039	(40 393 961)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	92 591 000	72 142 000	164 733 000	160 249 806	(4 483 194)	6
Transfer revenue						
Government grants & subsidies	570 120 000	-	570 120 000	896 026 073	325 906 073	7
Fines, penalties and forfeits	1 063 000	-	1 063 000	1 151 980	88 980	
Total revenue from non-exchange transactions	663 774 000	72 142 000	735 916 000	1 057 427 859	321 511 859	
Total revenue	764 825 000	70 147 000	834 972 000	1 116 089 898	281 117 898	
Expenditure						
Employee costs	(221 147 000)	(46 570 000)	(267 717 000)	(281 150 470)	(13 433 470)	8
Remuneration of councillors	(25 088 000)	(1 020 000)	(26 108 000)	(27 764 424)	(1 656 424)	9
Depreciation and amortisation	(41 150 000)	-	(41 150 000)	(76 511 376)	(35 361 376)	10
Finance costs	(525 000)	-	(525 000)	(773 599)	(248 599)	11
Bad debts written off	(101 000 000)	-	(101 000 000)	(49 589 427)	51 410 573	12
Repairs and maintenance	(57 025 000)	697 000	(56 328 000)	(27 821 269)	28 506 731	13
Bulk purchases	(124 200 000)	(32 000 000)	(156 200 000)	(208 977 289)	(52 777 289)	14
Contracted services	(43 910 000)	(8 300 000)	(52 210 000)	(41 297 265)	10 912 735	15
Transfers and subsidies	(31 451 000)	10 500 000	(20 951 000)	(14 871 751)	6 079 249	16
General expenses	(75 897 000)	5 178 000	(70 719 000)	(59 205 052)	11 513 948	17
Total expenditure	(721 393 000)	(71 515 000)	(792 908 000)	(787 961 922)	4 946 078	
Operating surplus	43 432 000	(1 368 000)	42 064 000	328 127 976	286 063 976	
(Loss)/Gain on disposal of assets	400 000	-	400 000	(1 062 354)	(1 462 354)	18
Actuarial gains/losses	-	-	-	984 000	984 000	19
	400 000	-	400 000	(78 354)	(478 354)	
Surplus before taxation	43 832 000	(1 368 000)	42 464 000	328 049 622	285 585 622	
Surplus for the year	43 832 000	(1 368 000)	42 464 000	328 049 622	285 585 622	
Operational surplus	396 231 000	4 541 000	400 772 000	-	(400 772 000)	

BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	440 063 000	3 173 000	443 236 000	328 049 622	(115 186 378)	

Statement of Financial Position

Assets

Current Assets

Inventories	3 500 000	-	3 500 000	2 429 669	(1 070 331)	20
Receivables from non-exchange transactions	420 000 000	-	420 000 000	453 119 710	33 119 710	21
VAT receivable	-	-	-	77 635 969	77 635 969	22
Receivables from exchange transactions	387 000 000	-	387 000 000	193 257 263	(193 742 737)	23
Cash and cash equivalents	211 000 000	-	211 000 000	213 635 337	2 635 337	
	1 021 500 000	-	1 021 500 000	940 077 948	(81 422 052)	

Non-Current Assets

Property, plant and equipment	2 145 655 000	71 131 000	2 216 786 000	2 012 201 650	(204 584 350)	24
Intangible assets	3 890 000	-	3 890 000	1 685 906	(2 204 094)	25
	2 149 545 000	71 131 000	2 220 676 000	2 013 887 556	(206 788 444)	

Total Assets

	3 171 045 000	71 131 000	3 242 176 000	2 953 965 504	(288 210 496)	
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Liabilities

Current Liabilities

Payables from exchange transactions	426 000 000	170 000 000	596 000 000	560 244 241	(35 755 759)	26
Consumer deposits	2 421 000	-	2 421 000	2 421 260	260	
Unspent conditional grants and receipts	-	-	-	64 767 102	64 767 102	27
Provisions	-	-	-	29 614 512	29 614 512	28
	428 421 000	170 000 000	598 421 000	657 047 115	58 626 115	

Non-Current Liabilities

Financial liability	-	-	-	80 787 121	80 787 121	29
Provisions	26 200 000	(5 985 000)	20 215 000	35 256 500	15 041 500	30
	26 200 000	(5 985 000)	20 215 000	116 043 621	95 828 621	

Total Liabilities

	454 621 000	164 015 000	618 636 000	773 090 736	154 454 736	
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Net Assets

	2 716 424 000	(92 884 000)	2 623 540 000	2 180 874 768	(442 665 232)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	2 716 424 000	(92 884 000)	2 623 540 000	2 180 874 768	(442 665 232)	
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BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from ratepayers and others	51 250 000	58 000 000	109 250 000	56 892 494	(52 357 506)	31
Grants	966 351 000	78 541 000	1 044 892 000	808 621 611	(236 270 389)	32
Interest income	7 000 000	-	7 000 000	9 570 022	2 570 022	
	1 024 601 000	136 541 000	1 161 142 000	875 084 127	(286 057 873)	
Payments						
Suppliers and employee costs	(532 000 000)	-	(532 000 000)	(505 599 771)	26 400 229	33
Finance Costs	(525 000)	-	(525 000)	(177 735)	347 265	34
Other payments	(31 451 000)	10 500 000	(20 951 000)	-	20 951 000	35
	(563 976 000)	10 500 000	(553 476 000)	(505 777 506)	47 698 494	
Net cash flows from operating activities	460 625 000	147 041 000	607 666 000	369 306 621	(238 359 379)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(440 655 000)	(71 173 000)	(511 828 000)	(308 575 704)	203 252 296	36
Proceeds from sale of property, plant and equipment	400 000	-	400 000	713 776	313 776	037
Purchase of intangible assets	-	-	-	(386 853)	(386 853)	
Net cash flows from investing activities	(440 255 000)	(71 173 000)	(511 428 000)	(308 248 781)	203 179 219	
Net increase/(decrease) in cash and cash equivalents	20 370 000	75 868 000	96 238 000	61 057 840	(35 180 160)	
Cash and cash equivalents at the beginning of the year	173 000 000	-	173 000 000	152 577 497	(20 422 503)	
Cash and cash equivalents at the end of the year	193 370 000	75 868 000	269 238 000	213 635 337	(55 602 663)	

BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
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Figures in Rand

1. Service charges: The service charge tariff was discontinued from the beginning of the year under review thus actual amounts are less than budgeted.
2. Agency services: The variance is due to the increase in the number of motor vehicle registrations and renewal. This is in line with the national trend of high motor vehicle sales and was expected in the year under review.
3. Licence and permits: The municipality had anticipated to open more Drivers Licensing and Testing Centres during the year which did not materialize. The budget was set in line with this notion which did not transpire during the year.
4. Interest received: The variance was mainly due to the positive balances being maintained in the bank accounts.
5. Interest on outstanding debtors: The council took a decision not to charge interest for the year under review.
6. Property rates: The implementation of the new general valuation roll and supplementary valuation roll forms the basis for the budgeted amount increase for the 2014/2015 financial year. The increase in market values for government properties has also impacted on the increase in the actual amounts for the 2014/2015 financial year. The area under the jurisdiction of the municipality was increased by the demarcation board.
7. Realisation of grants: The was mainly due to the withholding of the funds by the National Treasury for Equitable Share due to the debt between the municipality and Rand Water for bulk water purchases. The other contributing factor was the low spending on the grants, especially where Rand Water was the implementing agent for the water projects. Realisation of capital of conditional grants relating to capital projects was not budgeted.
8. Employee related costs: The difference was mainly due to the salaries increases and disparities for the affected employees resulting in back payments effected to them.
9. Remuneration of councillors: The Upper limits were implemented as directed by SALGA.
10. Depreciation: The asset values were revised, which resulted in an increase in the values of assets and this impacted on the depreciation charged. Several capital projects reported previously as WIP were also capitalised during the year under review thus increasing the depreciation figure eventually disclosed.
11. Finance costs: The variance in finance costs is mainly due to the interest charge on the provision for landfill sites rehabilitation costs.
12. Impairment of receivables: The under utilisation of the debt impairment in comparison with the budgeted amount is due to the write off of the interest levied to debtors for the 2012/13 and 2013/14 financial years. Government debtors were not impaired.
13. Repairs and maintenance: The difference between actual and budget was mainly attributed to a decrease in maintenance carried out on the municipal infrastructure due to cost curtailment.
14. Bulk purchases: This was mainly due to the purchase of bulk water from Rand Water Board, to ensure that the community has access to basic services as required by the constitution.
15. Contracted services: The difference was mainly attributed to decreased utilisation of contracted services such as consultants. The Project Management Unit consultants' contract has expired and the unit has been filled with internal personnel.
16. Transfers and subsidies: There was decreased utilisation of hired water tankers for the provision of supplying water to the communities for free basic water.
17. General expenses: This was mainly due to the implementation of cost –curtailment strategies. Most programmes or services were not implemented by the directorates based on the priorities.
18. Gain on disposal of assets: An auction that was successfully held by municipality for the disposal of assets.

BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
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Figures in Rand

19. Actuarial gains : The policy for long service awards was approved during the current year hence the recognition of the gain which was not budgeted for.

20. Inventory :The variance is due to the high utilisation of inventory during the year and the adjustment of obsolete stock.

21. Receivables from non-exchange transactions: The decline was mainly due to the write off of interest which was levied on debtors.The Equitable share grant which was withheld during the water was subsequently received after year end. At year end a debtor was raised and revenue recognised thus led to the surge in receivable from non exchange transactions.

22. VAT Receivable: This is mainly due to proper application controls of ensuring that both accurate input and output VAT are accounted for.

23. Consumer debtors: The variance was due to the data cleansing and write off debtors during the year under review .

24. Property, plant and equipment: The variance is due to the slow implementation of the projects.

25. Intangible assets: The variance was due to the reduction in the anticipated software costs for VIP Payrol software and implementation costs.

26. Payables from exchange transactions: The difference was mainly due to the write off of debt by Rand Water.

27. Unspent conditional grants and receipts: The municipality did not anticipate to spend less on the Conditional grants based on the previous years past experience, when, with the exception of MWIG, all grants were 100% spent.

28. Provisions: The increase in actual figures relating to provisions is mainly due to the initial recognition of the long service award provision. The policy of the long service was approved during the current year hence the initial recognition.

29. Financial liability : This is due to the Rand Water debt split to show the non current portion after the settlement agreement was reached.This was not budgeted for as it was not anticipated that the agreement would be concluded during the year under review.

30. Provisions: This is due to the revision of the useful lives of the landfill sites thus increasing the provision.

31. Receipts from ratepayers and others: The anticipated collections from government departments and othe customers didnt take place during the year thus the difference between the budget and actual amounts.

32. Grants: The difference is due to the Equitable Share and MIG grant which were withheld during the year.

33. Suppliers and employee costs: This is due to the upwards revision of the salaries of all employees during the year under review.

34. Finance costs: This is mainly the increase in landfill sites and long service award interest and service cost.

35. Other payments : No other payments were made during the year thus the difference .

36. Purchase of property plant and equipment: The difference is due to the slow spending of MIG grants during the year under review .

37. Proceeds from sale of property, plant and equipment: the auction which was held realised more funds than anticipated.

REASONS FOR ADJUSTMENT BUDGET

The budget was adjusted for the following reasons;

a) Property rates were revised upwards as a result of the implementation of the new valuation roll and the increased boundaries under the jurisdiction of the municipality.

BUSHBUCKRIDGE LOCAL 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	Difference between final budget and actual	Reference
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Figures in Rand

- b) Contracted services - Use of consultants in the areas of financial reporting, compilation of asset registers, management of the project management unit. These led to the adjustment budget..
- c) Employee cost - Salaries were to be adjusted thus an anticipated adjustment.
- d) Remuneration of councillors - SALGA approved the adjustment in line with upper limits in December 2014 thus necessitating an adjustment budget.
- e) Bulk water -there was an increase in the number of households that were reticulated thus the anticipation of high volumes of consumption during the year.

BUSHBUCKRIDGE LOCAL 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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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:

Impairment of trade and other receivables

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

The calculation in respect of the impairment of debtors is based on assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments based on credit worthiness. This was performed per debtor.

The impairment for trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer account payments are up to date. There is no balance in arrears.

Grade B: 100% of balance outstanding in excess of 90 days: Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account: Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from the provision calculation as they generally have a history of meeting their obligations.

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 13 - Provisions.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

Allowance for doubtful debts

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

Depreciation and carrying value of items of property, plant and equipment

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

1.4 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	4-70 years
Community Assets	Straight line	4-80 years
Infrastructure Assets	Straight line	3-10 years
Other Assets-Furniture and Office Equipment	Straight line	1-12 years
Transport Assets	Straight line	4-10 years
Other Assets-Temporary Operational Buildings	Straight line	15-60 years
Other Assets-Other Machinery and Equipment	Straight line	1-20 years
Other Assets-Computer Equipment	Straight line	2-10 years
Recreation Facilities	Straight line	5-80 years
Roads and Paving	Straight line	5-100 years
Sewerage	Straight line	10-100 years
Water Reticulation	Straight line	15-80 years
Water Supply	Straight line	20-50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the municipality holds for rental to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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. The municipality amortises all its intangible assets and none of these assets are regarded as having indefinite useful lives.

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

Item	Useful life
Computer software	5 years

The useful lives of the intangible assets remain unchanged from the previous year. No impairment losses have been recognised on the intangible assets of the municipality at the reporting date.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash; or
- receivables.

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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	Financial asset measured at amortised cost
Cash	Fair value

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

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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 are subject to an impairment review.

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

Financial assets are 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 directly OR 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 directly OR 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.

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived; or
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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 entity 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.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade payables

Trade payables are measured at fair value.

Liabilities for annual leave (accrued leave) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality.

Receivables

Receivables are measured at fair value.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Amounts receivable within 12 months from the date of reporting are classified as current.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Leases

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.8 Inventories

Inventories consist of raw materials, water and consumables. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.9 Impairment of cash-generating assets

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

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Impairment of non-cash-generating assets

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

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

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

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 entity 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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Employee benefits

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Employee benefits (continued)

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.

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 entity recognise the expected cost of bonus, incentive and performance related payments when the entity 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 entity has no realistic alternative but to make the payments.

Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity 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, an entity 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.

1.12 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.

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.13 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are disclosed in the financial statements if they meet the following criteria;

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non-routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure notes to the extent that such amounts have not been recorded in the financial statements. Commitments disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

1.14 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.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, discounts and 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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

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

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

Service charges

Water - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history are made on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

Refuse - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

Sewerage and sanitation - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

Agency service - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions includes property rates levied, fines, donations and grants from other spheres of government.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

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

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

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

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

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

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates including collection charges and penalty interest is recognised on a monthly basis when taxes are levied as this is regarded to be the date when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality ;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

A composite rating system charging different rates tariffs is employed .Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

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.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Government grants

Unconditional grants and receipt

Revenue from unconditional grants is recognised when it is probable that economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional there are no attached stipulations and the grants are recognised as revenue or, if the recognition criteria has been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts.

Revenue from conditional grants is recognised as revenue when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned from funds deposited in call accounts is treated in accordance with grant conditions. If the the interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the Statement of Financial Performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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.

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.

Revenue from recovery of unauthorised , irregular, fruitless and wasteful expenditure

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

1.16 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.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 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.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) the MFMA
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. The note to the financial statements is updated accordingly.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register. The note to the financial statements is updated accordingly.

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

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

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

1.21 Distribution losses

Distribution losses as calculated as the difference between water consumed and billed , water freely given to the community and water purchased.

1.22 Budget information

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

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

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

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 .

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are 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.

1.24 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.

1.25 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include;

- **Repairs and maintenance** – inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- **Bulk purchases** – expenditure on the procurement of bulk water;
- **Contracted services** – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- **Transfers and grants** which relate to expenditure pertaining to free basic services and general expenses which constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current assets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.25 Expenditure (continued)

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.26 Value Added Tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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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 all applicable standards and interpretations that are effective for the current financial year and that are relevant to its operations.

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:

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016
• GRAP108: Statutory Receivables	01 April 2016
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016
• Directive 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016

The expected impact of the above standards cannot be determined accurately (impracticable) as the there are no systems, processes and procedures in place to determine such amounts. These will be developed and implemented once the standards becomes effective.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. INVENTORIES		
Inventories (consumables)	2 208 026	753 096
Water	221 643	196 838
	2 429 669	949 934
CALCULATION OF WATER LOSSES AS AT 30 JUNE 2015		
Billed (Note 15)	24 183 616	26 562 680
Add:Free basic water	81 533 119	68 676 883
Less:	-	-
Bulk purchases (Note 29)	(208 977 289)	(132 913 774)
	(103 260 554)	(37 674 211)
Percentage loss	49,5%	28,3%
INVENTORY PLEDGED AS SECURITY		
No inventory was pledged as security during the current and previous financial period.		
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Fines	1 415 545	914 514
Eskom deposits	1 261 175	1 252 435
Other receivables	26 240	26 240
Property rates	302 785 751	184 695 050
Grants withheld	147 631 000	-
	453 119 711	186 888 239
Receivables from non - exchange transactions		
Fines		
Gross balances	2 889 128	1 866 355
Provision for debt impairment	(1 473 583)	(951 841)
Net balance	1 415 545	914 514
PROPERTY RATES		
Gross balances	534 386 610	364 514 746
Provision for debt impairment	(231 600 859)	(179 819 696)
Net balance	302 785 751	184 695 050
AGEING OF NET BALANCES		
(0 -30 days)	(299 713 521)	(10 952 937)
31 - 60 days	(10 058 828)	546 930
61 - 90 days	801 829	384 611
91 - 120 days	(500 233)	385 317
121 - 150 days	288 206 930	566 866
> 151 days	324 049 574	193 764 263
	302 785 751	184 695 050

BUSHBUCKRIDGE LOCAL 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 NON-EXCHANGE TRANSACTIONS (continued)

RECEIVABLES TRANSACTIONS PAST DUE BUT NOT IMPAIRED

Receivables from non-exchange transactions relating to government, municipal and public infrastructure service were past due but not impaired. The amounts are as follows:

31-60 days	(19 096 444)	63 733
61-90 days	(2 709 052)	36 546
91-120 days	(5 293 241)	705 800
121-150 days	504 096 106	947 335
>150 days	437 747 168	309 707 270
	<u>914 744 537</u>	<u>311 460 684</u>

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Opening balance	179 819 696	243 834 120
Provision for impairment	51 781 163	(64 014 424)
	<u>231 600 859</u>	<u>179 819 696</u>

5. VAT RECEIVABLE

VAT	<u>77 635 969</u>	<u>75 133 526</u>
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VAT RECEIVABLE CONSISTS OF THE FOLLOWING:

VAT control account	33 070 024	27 608 114
VAT input provision	74 877 134	73 405 967
VAT output provision	(30 311 189)	(25 880 554)
	<u>77 635 969</u>	<u>75 133 527</u>

VAT is payable on the payment basis. VAT is paid over to SARS only when payment is received from debtors.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
GROSS BALANCES		
Water	165 213 779	146 648 179
Sewerage	22 683 017	19 342 996
Refuse	29 660 166	23 948 942
Debtors rental	36 930	-
Housing	2 601 804	2 601 804
Other	82 639 721	68 194 449
	302 835 417	260 736 370
LESS: ALLOWANCE FOR IMPAIRMENT		
Water	(71 602 942)	(68 736 314)
Sewerage	(9 830 722)	(8 463 377)
Refuse	(12 854 588)	(7 434 501)
Debtors rental	36 930	-
Housing	(1 127 611)	(184 271)
Other	(14 162 291)	(27 473 169)
	(109 541 224)	(112 291 632)
NET BALANCE		
Water	93 610 838	77 911 866
Sewerage	12 852 295	10 879 618
Refuse	16 805 578	16 514 441
Debtors Rental	36 930	-
Housing rental	1 474 193	2 417 533
Other	68 477 430	40 721 280
	193 257 264	148 444 738
INCLUDED IN ABOVE ARE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Water	165 213 779	146 648 179
Sewerage	22 683 017	19 342 996
Refuse	29 660 166	23 948 942
Housing	2 601 804	2 601 804
Other	32 677 508	32 027 215
Rental	36 930	-
	252 873 204	224 569 136
WATER		
(0 -30 days)	394 816	1 069 408
31 - 60 days	57 430	2 565 855
61 - 90 days	668 286	1 522 782
91 - 120 days	2 563 179	792 481
121 - 150 days	2 054 854	(210 877)
>151 days	87 872 273	72 172 217
	93 610 838	77 911 866
SEWERAGE		
(0 -30 days)	135 857	128 937
31 - 60 days	145 697	80 842
61 - 90 days	164 392	152 184
91 - 120 days	227 614	120 881
121 - 150 days	351 115	119 109
> 151days	11 827 620	10 277 665

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)	12 852 295	10 879 618
REFUSE		
(0 -30 days)	297 107	249 110
31 - 60 days	305 977	293 369
61 - 90 days	267 857	292 661
91 - 120 days	162 607	296 388
121 - 150 days	66 662	297 835
>151 days	15 705 368	15 085 078
	16 805 578	16 514 441
HOUSING		
>151 days	1 474 193	2 417 533
OTHERS		
(0 -30 days)	444 239	(3 044 739)
31 - 60 days	1 340 960	(1 039)
61 - 90 days	(25 267)	(1 545)
91 - 120 days	432	255 972
121 - 150 days	3 342	253 481
> 151 days	16 751 510	7 091 917
	18 515 216	4 554 047
SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION		
CONSUMERS AND OTHERS		
(0 -30 days)	(17 062 596)	(30 296 404)
31 - 60 days	3 265 032	5 657 474
61 - 90 days	3 494 204	3 672 962
91 - 120 days	5 598 709	2 744 091
121 - 150 days	4 942 991	2 267 743
> 151 days	267 358 107	240 759 275
	267 596 447	224 805 141
INDUSTRIAL/ COMMERCIAL		
(0 -30 days)	1 301 895	1 169 659
31 - 60 days	1 394 451	749 606
61 - 90 days	2 578 424	599 907
91 - 120 days	4 075 577	1 247 111
121 - 150 days	4 037 883	(66 898)
> 151 days	102 356 681	60 418 030
	115 744 911	64 117 415
GOVERNMENT		
(0 -30 days)	(510 826 083)	(11 299 359)
31 - 60 days	(19 096 444)	63 733
61 - 90 days	(2 709 052)	36 546
91 - 120 days	(5 293 241)	705 800
121 - 150 days	504 096 106	947 335
> 151 days	437 747 168	309 707 270
	403 918 454	300 161 325
TOTAL		
Current (0 -30 days)	(526 586 783)	(40 426 105)
31 - 60 days	(14 436 961)	6 470 813

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
61 - 90 days	3 363 576	4 309 416
91 - 120 days	4 381 045	4 697 001
121 - 150 days	513 076 980	3 148 181
> 151 days	807 461 956	610 884 575
	787 259 813	589 083 881

RECEIVABLES PLEDGED AS SECURITY

No receivables were pledged as security for any facilities.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	195 970	113 472
Current account balances	14 558 273	56 851 209
Call account balances	198 881 094	95 612 816
	213 635 337	152 577 497

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
FNB BANK -7000/7010	7 211 165	389 972	1 799 229	7 131 313	314 085	1 635 667
FNB BANK - 7000/7020	5 065 478	4 134 672	1 023 008	5 065 478	4 134 672	1 023 008
FNB BANK -7000/7030	193 517 911	91 433 539	100 529 710	193 517 911	91 433 539	100 529 710
Standard Bank-7000/7040	7 426 960	56 537 124	10 913 536	7 426 960	56 537 124	10 913 536
FNB BANK -7000/7070	297 706	44 605	37 901	297 706	44 605	37 901
Total	213 519 220	152 539 912	114 303 384	213 439 368	152 464 025	114 139 822

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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8. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	140 087 091	-	140 087 091	140 087 091	-	140 087 091
Buildings	110 518 985	(36 848 186)	73 670 799	110 518 985	(30 712 425)	79 806 560
Infrastructure	1 245 465 291	(256 319 543)	989 145 748	1 073 553 063	(203 439 610)	870 113 453
Community	199 834 325	(63 729 206)	136 105 119	190 928 394	(53 057 446)	137 870 948
Other property, plant and equipment	46 445 236	(28 964 641)	17 480 595	38 513 340	(23 325 108)	15 188 232
Work in progress	655 712 299	-	655 712 299	537 166 721	-	537 166 721
Total	2 398 063 227	(385 861 576)	2 012 201 651	2 090 767 594	(310 534 589)	1 780 233 005

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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8. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

	Opening balance	Additions	Disposals	Transfers	Additions Fair Market Value	Depreciation	Total
Land	140 087 091	-	-	-	-	-	140 087 091
Buildings	79 806 560	-	-	-	-	(6 135 761)	73 670 799
Infrastructure	870 113 453	190 052	(1 810 631)	173 539 615	-	(52 886 741)	989 145 748
Community	137 870 949	-	-	8 905 930	-	(10 671 761)	136 105 119
Other property, plant and equipment	15 188 232	7 394 529	(29 672)	-	968 308	(6 040 802)	17 480 595
Work in progress	537 166 721	300 991 123	-	(182 445 545)	-	-	655 712 299
	1 780 233 006	308 575 704	(1 840 303)	-	968 308	(75 735 065)	2 012 201 651

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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8. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	140 087 091	-	-	-	140 087 091
Buildings	85 942 321	-	-	(6 135 761)	79 806 560
Infrastructure	832 010 985	-	82 188 543	(44 086 075)	870 113 453
Community	148 470 822	-	-	(10 599 873)	137 870 949
Other property, plant and equipment	14 605 688	6 367 642	-	(5 785 098)	15 188 232
Work in progress	362 303 262	257 052 002	(82 188 543)	-	537 166 721
	1 583 420 169	263 419 644	-	(66 606 807)	1 780 233 006

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.

PLEGGED AS SECURITY

None of the tangible assets were pledged as security during the current and previous financial year.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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9. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 920 836	(2 234 930)	1 685 906	3 533 983	(1 458 618)	2 075 365

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2 075 365	386 853	(776 312)	1 685 906

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2014

	Opening balance	Amortisation	Total
Computer software	2 781 677	(706 312)	2 075 365

PLEGGED AS SECURITY

None of the intangible assets were pledged as security during the current and previous financial year.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
10. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	259 090 345	324 043 831
Retention creditors	52 972 342	56 029 561
Surety	1 719 802	2 242 131
Accrued bonus	7 244 086	6 685 762
Other payables	59 923 204	50 207 074
Sundry creditors	179 294 465	156 390 134
	560 244 244	595 598 493

RAND WATER HISTORICAL DEBT

Following the dispute regarding outstanding amounts between the municipality and Rand Water, the parties have agreed to the waiver of 40% of the outstanding debt amounting to R137 144 440, on the basis that going forward, no further disputes will be entered into regarding previously raised billing statements.

Should the municipality default in making payment within seven (7) days of it falling due, the municipality has agreed that National Treasury transfer, directly from its Equitable Share, the amount in default to Rand Water, failing which, interest shall accrue on a daily basis on the amount in default from day 31 until the breach is remedied, increasing to interest chargeable against 50% of the full debt outstanding at 60 days and against the full amount owing at 90 days. Failure to remedy the breach within fourteen days thereafter would result in all amounts then outstanding becoming due.

The municipality, according to its cashflow projections and budgets, expects to be able to meet these quarterly commitments and payments as they fall due.

The balance amounting to R 205 716 659 is payable quarterly as follows:

Date/Quarter	
30 September 2015	19 929 538
31 December 2015	35 000 000
31 March 2016	35 000 000
30 June 2016	35 000 000
30 September 2016	35 000 000
31 December 2016	35 000 000
31 March 2017	10 787 121
	205 716 659

11. CONSUMER DEPOSITS

Water	2 421 260	2 421 060
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12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Municipal Infrastructure Grant	32 235 123	-
Department of Water Affairs Grant	16 941 070	-
Integrated National Electrification Programme	1 707 581	-
Municipal Disaster Grant	1 782 728	-
Human Settlement Grant	12 100 600	-
Municipal Water Infrastructure Grant	-	4 540 565
	64 767 102	4 540 565

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

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13. PROVISIONS

RECONCILIATION OF PROVISIONS - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation provision	19 559 901	-	-	(2 823 401)	-	16 736 500
Leave provision	20 940 378	6 360 134	-	-	-	27 300 512
Long service awards	19 801 000	3 597 000	(1 580 000)	-	(984 000)	20 834 000
	60 301 279	9 957 134	(1 580 000)	(2 823 401)	(984 000)	64 871 012

RECONCILIATION OF PROVISIONS - 30 JUNE 2014

	Opening Balance	Additions	Total
Environmental rehabilitation provision	18 111 019	1 448 882	19 559 901
Leave provision	15 099 392	5 840 986	20 940 378
Long service awards	-	19 801 000	19 801 000
	33 210 411	27 090 868	60 301 279
Non-current liabilities		35 256 500	39 360 901
Current liabilities		29 614 512	20 940 378
		64 871 012	60 301 279

ENVIRONMENTAL REHABILITATION PROVISION

The municipality has an obligation to rehabilitate the landfill sites of Bushbuckridge.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at amortised cost.

As at year end, all landfill sites had reached their technical capacity (zero useful lives) and should be rehabilitated with the view of closing them.

During the year, the Municipality revised the useful lives of all its landfill sites to zero as all landfill sites are in the process of being closed down and converted into transfer stations. Waste licenses have been obtained in this regard. The impact of the revision of useful lives is an increase in depreciation for current year. The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at amortised cost.

The rehabilitation costs were determined by One Pangaea Financial, who are qualified and experienced engineers.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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13. PROVISIONS (continued)

LONG SERVICE AWARDS

The actuarial valuation of the long service bonus awards accrued liability was carried out by D.T. Mureriwa, Fellow of the Institute of Actuaries.

The long service bonus awards consists of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation presents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees:

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

Assumptions

The following key assumptions are :

1. Salary increase rate of 7.10% (2014: 7.33 %).
2. The mortality rate of SA85-90.
3. Normal retirement age of 63.
4. Discount rate of 8.3% (2014:8.55%) .

Movement for the year

Opening balance	19 801 000
Service cost	1 972 000
Interest cost	1 625 000
Bonuses paid	(1 580 000)
Actuarial (gains)/losses	(984 000)
	20 834 000

14. REVENUE

Property rates	160 249 806	55 801 359
Service charges	32 737 586	33 826 523
Rental of facilities and equipment	883 938	416 077
Agency services	9 925 851	10 028 199
Licences and permits	3 298 275	394 654
Interest earned	9 570 022	68 625 686
Realisation of grants	896 026 073	956 979 695
Fines and penalties	1 151 980	2 893 879
Other income	2 246 367	7 255 641
	1 116 089 898	1 136 221 713

THE AMOUNTS INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Service charges	32 737 586	33 826 523
Rental of facilities and equipment	883 938	416 077
Agency services	9 925 851	10 028 199
Licences and permits	3 298 275	394 654
Other income	2 246 367	7 255 641
Interest earned	9 570 022	68 625 686
	58 662 039	120 546 780

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Figures in Rand	2015	2014
14. REVENUE (continued)		
THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:		
TAXATION REVENUE		
Property rates	160 249 806	55 801 359
TRANSFER REVENUE		
Government grants and subsidies	896 026 073	956 979 696
Fines and penalties	1 151 980	2 893 879
	1 057 427 859	1 015 674 934
15. SERVICE CHARGES		
Refuse removal	5 865 258	4 390 591
Sale of water	24 183 616	26 562 680
Sewerage and sanitation charges	3 047 664	2 273 925
Rebate -service charges	(433 620)	491 896
Water reconnection fees	74 668	107 430
	32 737 586	33 826 522
16. RENTAL OF FACILITIES AND EQUIPMENT		
PREMISES		
Premises	669 311	207 789
FACILITIES AND EQUIPMENT		
Rental of facilities	102 540	84 066
Rental of equipment	112 087	124 222
	214 627	208 288
	883 938	416 077
17. AGENCY INCOME		
Agency services	9 925 851	10 028 199
This relates to agency income earned from the services rendered on behalf of the Department of Roads Transport.		
18. LICENCES AND PERMITS		
Licences and permits	3 298 275	394 654

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
19. Other income		
Administrative fee	3 998	215 342
Amendment of names	14 050	1 178
Bond fee	39 781	83 282
Cemetery	36 587	39 057
Clearance certificates	13 628	25 750
Database registration	76 236	-
Library fees	6 045	5 564
Photocopies	36 603	4 527
Plan approval	65 931	80 590
Proof of residence	344 203	233 484
Sale of tender documents	51 347	757 407
Site fees	3 311	188 904
Site inspection	40 173	44 739
Sundry income	1 514 475	5 575 817
	2 246 367	7 255 641
20. INTEREST		
INTEREST REVENUE		
Interest earned	9 570 022	7 324 743
Interest on outstanding debtors	-	61 300 944
	9 570 022	68 625 686

The council approved the non levying of interest on debtors during the year under review.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
21. PROPERTY RATES		
RATES RECEIVED		
Property rates	165 184 251	59 345 478
Less: Income forgone	(4 934 446)	(3 544 119)
	<u>160 249 805</u>	<u>55 801 359</u>
	<u>160 249 806</u>	<u>55 801 359</u>
VALUATIONS		
Agriculture	94 845 000	975 837 500
Commercial	661 110 200	425 981 110
Public Benefit Organisations	50 733 000	49 870 500
Public Service Infrastructure	53 500	6 746 500
Residential	1 911 684 800	949 614 500
State	3 409 594 050	1 165 633 000
Vacant land	195 876 100	100 992 000
Municipality	21 885 500	244 967 500
Multi use purpose	-	1 997 333 610
Protected Area	23 335 673 000	-
Protected Area Business	550 665 000	-
Protected Area Residential	192 890 000	-
	<u>30 425 010 150</u>	<u>5 916 976 220</u>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed to take into account changes in individual property values due to alterations. Various rates apply for the different categories which are applied to property valuations to determine assessment rates.

Values in 2013/14 have been adjusted to incorporate the supplementary valuation roll..

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. REALISATION OF GRANTS		
Operating grants		
Equitable share	545 094 000	485 251 000
Financial Management Grant	1 600 000	1 550 000
Department of Water Affairs	3 058 930	10 728 220
Local Government Sector Education Training Authority	1 440 883	664 323
Municipal Systems Improvement Grant	934 000	890 000
Ehlanzeni District	450 000	-
Expanded Public Works Programme Grant	2 192 000	2 596 000
	<u>554 769 813</u>	<u>501 679 543</u>
Capital grants		
Integrated National Electrification Programme	3 492 419	6 655 671
Municipal Infrastructure Grant	271 323 877	422 793 047
Municipal Water Infrastructure Grant	4 540 565	25 851 435
Human Settlement Grant	61 899 400	-
	<u>341 256 261</u>	<u>455 300 153</u>
	<u>896 026 073</u>	<u>956 979 696</u>

EQUITABLE SHARE

This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

In terms of the section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

An amount of R147 631 000 was withheld by National Treasury during the year and subsequently received after year end.

UNSPENT GRANT : MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	-	145 845 047
Current-year receipts	303 559 000	317 793 000
Conditions met - transferred to revenue	(271 323 877)	(422 793 047)
Amounts withheld	-	(40 845 000)
	<u>32 235 123</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

An amount of R49 579 000 was withheld by National Treasury during the year under review.

UNSPENT GRANT : FINANCIAL MANAGEMENT GRANT

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)

Current-year receipts	934 000	890 000
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Figures in Rand	2015	2014
22. REALISATION OF GRANTS (continued)		
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

UNSPENT GRANT : DEPARTMENT OF WATER AFFAIRS

Balance unspent at beginning of year	-	206 220
Current-year receipts	20 000 000	10 522 000
Conditions met - transferred to revenue	(3 058 930)	(10 728 220)
	16 941 070	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

EHLANZENI DISTRICT

Current-year receipts	450 000	-
Conditions met - transferred to revenue	(450 000)	-
	-	-

The grant was used to fund the Chief Financial Officer's remuneration.

EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT

Current-year receipts	2 192 000	2 596 000
Conditions met - transferred to revenue	(2 192 000)	(2 596 000)
	-	-

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

UNSPENT GRANT : INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME

Current-year receipts	5 200 000	1 500 000
Conditions met - transferred to revenue	(3 492 419)	(6 655 671)
Other	-	5 155 671
	1 707 581	-

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

UNSPENT GRANT : MUNICIPAL DISASTER GRANT

Current-year receipts	1 782 728	-
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Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to provide for the immediate release of funds for disaster response.

LOCAL GOVERNMENT SECTOR EDUCATION TRAINING AUTHORITY

Current-year receipts	1 440 883	664 323
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Figures in Rand	2015	2014
22. REALISATION OF GRANTS (continued)		
Conditions met - transferred to revenue	(1 440 883)	(664 323)
	-	-
UNSPENT GRANT :HUMAN SETTLEMENTS GRANT		
Current-year receipts	74 000 000	-
Conditions met - transferred to revenue	(61 899 400)	-
	12 100 600	-

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to assist in the reticulation of water for the community through increased water storage capacity.

UNSPENT GRANT: MUNICIPAL WATER INFRASTRUCTURE GRANT

Balance unspent at beginning of year	4 540 565	-
Current-year receipts	-	30 392 000
Conditions met - transferred to revenue	(4 540 565)	(25 851 435)
	-	4 540 565

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

CHANGES IN LEVEL OF GOVERNMENT GRANTS

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

23. EMPLOYEE RELATED COSTS

Acting allowances	1 002 365	1 155 328
Basic salary	197 855 715	159 211 511
Bonus	18 508 266	12 380 416
Car allowance	6 189 004	5 776 600
Housing benefits and allowances	2 269 413	2 367 175
Long-service awards	1 972 000	19 801 000
Medical aid - company contributions	10 039 322	8 570 825
Overtime payments	2 603 878	3 261 609
Pension	34 518 042	27 374 271
SDL Contributions	1 882 870	1 687 830
Shift / Standby and other allowances	1 034 481	244 183
South African Local Government Association levies	159 689	51 547
Travel and related allowances	1 936 558	1 664 231
UIF contributions	1 178 867	1 024 221
	281 150 470	244 570 747

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Figures in Rand	2015	2014
23. EMPLOYEE RELATED COSTS (continued)		
REMUNERATION OF MUNICIPAL MANAGER		
Remuneration	541 965	664 256
Car allowance	238 300	442 484
Contributions to UIF, Medical and Pension Funds	6 373	1 861
Gratuity	1 197 432	-
Other	7 317	-
	1 991 387	1 108 601

The Municipal Manager Mr C Lisa was appointed in January 2015. Mr DL Shabangu resigned and was paid a gratuity amount of R 1 197 432.00.

REMUNERATION OF CHIEF FINANCIAL OFFICER

Remuneration	1 115 529	693 333
Car allowance	228 135	140 915
Contributions to UIF, Medical and Pension Funds	56 448	36 702
Reimbursements	16 673	-
	1 416 785	870 950

The Chief Financial Officer Mrs CA Nkuna was appointed in November 2013.

REMUNERATION OF TECHNICAL SERVICES DIRECTOR

Remuneration	542 131	527 386
Car allowance	358 081	341 733
Performance bonus	8 500	-
Contributions to UIF, Medical and Pension Funds	10 210	9 792
	918 922	878 911

Mr E Mashava was the Technical Director during the year under review.

REMUNERATION OF CORPORATE AND HUMAN RESOURCES DIRECTOR

Remuneration	547 885	469 356
Car allowance	338 668	100 150
Acting allowance	-	4 705
Bonus	-	37 463
Contributions to UIF, Medical and Pension Funds	23 814	121 434
Housing	-	9 061
Reimbursement travel	8 233	-
	918 600	742 169

Mr R Khoza was the Director Corporate and Human Resources during the year under review.

REMUNERATION OF COMMUNITY SERVICES DIRECTOR

Remuneration	361 420	-
Car allowance	240 947	-
Contributions to UIF, Medical and Pension Funds	6 786	-
	609 153	-

DR LZ Mkabela was appointed the Community Director in November 2014.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. EMPLOYEE RELATED COSTS (continued)		
REMUNERATION OF LOCAL ECONOMIC DEVELOPMENT, PLANNING AND ENVIRONMENT DIRECTOR		
Remuneration	480 024	466 892
Car allowance	364 824	334 994
Bonus	42 741	-
Contributions to UIF, Medical and Pension Funds	52 192	43 088
Performance bonus	8 430	-
	<u>948 211</u>	<u>844 974</u>
<p>Mrs S Mogakane was the Director for Local Economic Development, Planning and Environment the year under review.</p>		
24. REMUNERATION OF COUNCILLORS		
Mayor	892 785	806 317
Mayoral committee members	2 003 787	1 871 484
Speaker	701 262	656 884
Councillors	24 166 589	20 737 642
	<u>27 764 423</u>	<u>24 072 327</u>
IN-KIND BENEFITS		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p>		
<p>The Mayor has the use of a Council owned vehicle for official duties.</p>		
25. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	<u>76 511 376</u>	<u>67 313 119</u>
26. FINANCE COSTS		
Interest on landfill sites and fair valuation of trade payables	<u>773 599</u>	<u>8 119 779</u>
27. DEBT IMPAIRMENT		
Debt impairment	<u>49 589 427</u>	<u>(45 778 080)</u>
28. REPAIRS AND MAINTENANCE		
Repairs and maintenance	<u>27 821 269</u>	<u>60 546 196</u>
29. BULK PURCHASES		
Water	<u>208 977 289</u>	<u>132 913 774</u>
30. CONTRACTED SERVICES		
Information technology services	4 780 317	5 765 368
Insurance	5 266 577	4 926 547
Service level agreements	938 646	1 008 273
Specialist services	7 794 252	14 619 796
Security services	22 517 473	21 437 755
	<u>41 297 265</u>	<u>47 757 740</u>

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Figures in Rand	2015	2014
31. GRANTS FUNDED EXPENDITURE		
OTHER SUBSIDIES		
Free basic services	14 871 751	39 946 931
32. GENERAL EXPENSES		
Advertising	647 834	742 075
Audit committee allowance	154 980	116 825
Auditor's remuneration	5 661 289	2 487 313
Bank charges	177 735	436 048
Cash in transit security	21 943	17 584
Community development and training	1 603 948	657 282
Community service expenditure	2 226 623	3 407 145
Conferences and seminars	3 539 475	1 816 862
Donations	42 836	41 700
Electricity	6 529 492	7 038 063
Fuel	3 399 184	3 931 900
Legal fees	2 532 818	2 700 104
Library services and daily newspapers	11 869	-
Local economic development expenses	3 047 137	1 440 120
Occupational health	392 949	2 139 031
Other expenses	4 535 928	2 563 544
Communication services	394 723	604 031
Postage and courier	14 876	19 285
Printing and stationary	1 809 188	841 707
Protective clothing	473 580	945 742
Refreshments	468 468	315 879
Rental of plant and equipment	3 306 596	523 005
Sewage and waste disposal	-	66 600
Software expenses	916 805	140 474
Subscriptions and membership fees	3 533 510	2 063 381
Telephone and fax	8 205 812	7 668 038
Traffic expenses	2 627 527	2 742 108
Training	2 321 863	1 351 834
Travel - local	38 117	319 091
Water services expenses	567 946	1 455 780
	59 205 051	48 592 551
33. AUDITORS' REMUNERATION		
Fees	5 661 289	2 487 313

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Figures in Rand	2015	2014
34. Cash generated from operations		
Surplus	328 049 623	511 317 756
Adjustments for:		
Depreciation and amortisation	76 511 376	67 313 119
Gain (loss) on sale of assets and liabilities	348 578	(3 151 126)
Debt impairment	49 589 427	(45 778 080)
Movements in provisions	(40 509 607)	665 940
Bulk water debt adjustment	-	(137 144 440)
Equitable share realised but not received	147 631 000	-
Fair valuation of trade payables	-	6 670 897
Actuarial gains	(984 000)	-
Interest on landfill sites	773 599	8 119 779
Interest write off	-	(111 380 911)
Changes in working capital:		
Inventories	(1 479 735)	2 246 815
Consumer debtors	(42 099 047)	10 398 257
Other receivables from non-exchange transactions	(169 871 864)	(8 780 061)
Payables from exchange transactions	(35 354 251)	172 267 434
VAT	(2 502 443)	(27 569 317)
Unspent conditional grants and receipts	60 226 538	(146 666 373)
Consumer deposits	200	9 852
Fines	(1 022 773)	-
	369 306 621	298 539 541

35. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

APPROVED AND CONTRACTED FOR:

• Property, plant and equipment	317 980 927	400 579 179
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TOTAL CAPITAL COMMITMENTS

Contracted for but not provided for	317 980 927	400 579 179
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TOTAL COMMITMENTS

Authorised capital expenditure inclusive of VAT	317 980 927	400 579 179
Authorised operational expenditure	11 560 724	-
	329 541 651	400 579 179

This Committed expenditure relates to infrastructure and will be financed by inter alia grant funds, existing cash resources, funds internally generated.

OPERATING LEASES - AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE

- within one year	-	69 924
- in second to fifth year inclusive	128 194	128 194
	128 194	198 118

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable.

36. PRIOR PERIOD ERRORS

Receivable from exchange and non-exchange were adjusted due to the write off of interest.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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36. PRIOR PERIOD ERRORS (continued)

VAT was restated due to the adjustments in sundry creditors.

Property, plant and equipment changes are due to the unit rates correction, adjustment to land values and write down of landfill sites.

Payables from exchange transactions adjustments relates to cut off errors corrected in the year under review.

Provisions: The increase in provisions is due to the initial recognition of long service awards.

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

Statement of Financial Position

Increase in prior year accumulated surplus	70 620 575
Increase in receivable from non-exchange transactions	27 092 885
Decrease in receivable from exchange transactions	(45 659 615)
Increase in VAT receivable	3 259 104
Decrease in property, plant and equipment	(75 605 109)
Decrease in payables from exchange transactions	40 093 160
Increase in provisions	(19 801 000)
	<u>-</u>

Statement of Financial Performance

Previously reported surplus	(463 868 704)
Decrease in depreciation and amortisation	(1 080 182)
Increase in employee costs	19 801 000
Decrease in impairment	(69 638 898)
Increase in repairs and maintenance	3 361 402
Decrease in bulk purchases	(152 845)
Decrease in contracted services	(457 580)
Increase in grant funded expenditure	559 257
Increase in general expenses	159 296
Increase in other income	(500)
Restated surplus for the year	<u>(511 317 754)</u>

PRIOR PERIOD ERROR NOTE

Cash flow from operating activities

	2014 Audited	2014 Restated
Receipts from customers	93 365 975	64 941 048
Suppliers	(204 203 001)	(315 458 593)
	<u>(110 835 012)</u>	<u>(250 515 531)</u>

Cash flow from investing activities

Purchase of property, plant and equipment	(258 058 571)	(262 921 502)
Other property plant and equipment adjustments	(156 660 719)	-
	<u>(414 719 290)</u>	<u>(262 921 502)</u>

37. RISK MANAGEMENT

LIQUIDITY RISK

The municipality's risk to liquidity as 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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Figures in Rand	2015	2014
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37. RISK MANAGEMENT (continued)

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
FNB Bank	206 012 408	95 926 901
Standard Bank	7 426 960	56 537 124
Receivables from exchange transactions	193 257 264	148 444 738
Receivables from non-exchange transactions	453 119 711	186 888 239
Trade creditors	(560 244 244)	(595 598 493)

38. EVENTS AFTER THE REPORTING DATE

R147 631 000 relating to Equitable Share which was withheld by National Treasury was subsequently received after year end.

39. UNAUTHORISED EXPENDITURE

Unauthorised expenditure	299 223 979	348 232 409
Unauthorised expenditure transactions	46 633 000	122 246 893
Approved by council for 2012/2013 financial year	-	(77 562 323)
Approved by council for 2013/2014 financial year	-	(93 693 000)
	<u>345 856 979</u>	<u>299 223 979</u>

Unauthorised expenditure was incurred mainly due to overspending in respect of a number of votes within the approved municipal expenditure budget. MPAC is in the process of investigating the unauthorised expenditure for the current year and the report will be tabled in Council meeting for condonement.

40. FRUITLESS AND WASTEFUL EXPENDITURE

Current year	<u>55 666</u>	<u>30 849</u>
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The above expenditure relates to interest charged on late payment of largely Eskom accounts and the Auditor General.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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41. IRREGULAR EXPENDITURE		
Opening balance	702 717 040	592 750 854
Add: Irregular Expenditure - current year	67 254 008	109 966 186
Less: Amounts recovered	(60 000)	-
	769 911 048	702 717 040

The irregular expenditure is largely as a result of breach in supply chain management policy and procedures.

The Special Investigations Unit has been appointed in terms of section 2(1) of the Special Investigating Units and Special Tribunals Act, 1966 (Act no. 74 of 1996) to investigate the irregular expenditure reflected in the municipality's prior year opening balances. Since the investigation is currently in progress the municipality will only be able to establish the recoverability once the process is finalized. Disciplinary measures shall be taken against any official who might be found to be liable. Any material losses that may be required to be recovered or written off will be established after the process is completed.

Subsequent irregular expenditure will also be investigated further to establish whether the expenditure written off, was deliberate or due to negligence, and appropriate steps will be taken against those implicated.

42. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

CONTRIBUTIONS TO ORGANISED LOCAL GOVERNMENT

Opening balance	270 107	-
Current year subscription / fee	2 536 251	2 038 000
Amount paid - current year	(2 565 321)	(1 767 893)
	241 037	270 107

AUDIT FEES

Current year fee	5 661 289	2 487 313
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PAYE, SDL AND UIF

Opening balance	4 194 111	1 610 793
Current year subscription / fee	35 898 869	27 208 452
Amount paid - current year	(35 898 869)	(24 625 134)
	4 194 111	4 194 111

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	9 205 431	4 094 145
Current year subscription / fee	72 817 180	55 111 669
Amount paid - current year	(78 165 423)	(50 000 383)
	3 857 188	9 205 431

The balance represents pension and medical aid contributions deducted from employees in the June 2015 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2015.

VAT

VAT receivable	77 635 969	75 133 526
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VAT output payables and VAT input receivables are shown in note 5.

VAT returns have not been submitted by the due date throughout the year.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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

COUNCILLORS' ARREAR CONSUMER ACCOUNTS

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bongco BP	517	7 027	7 544
Khumalo RE	80	2 332	2 412
Lebyane MS	601	19 294	19 895
Malibe HD	408	14 240	14 648
Malope A	80	2 734	2 814
Mashaba ME	879	33 097	33 976
Mashego D	281	5 082	5 363
Nxumalo TA	547	13 873	14 420
Sibuyi FF	(25)	239	214
Siwela F	201	5 694	5 895
	3 569	103 612	107 181

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bongco BP	2 871	6 374	9 245
Khumalo RE	502	1 431	1 933
Malibe HD	2 493	9 707	12 200
Mashaba ME	7 285	20 884	28 169
Malope A	1 899	13 693	15 592
Mashego D	889	3 086	3 975
Nxumalo TA	2 355	12 782	15 137
Sibuyi FF	239	25	264
Siwela P	1 325	3 361	4 686
	19 858	71 343	91 201

SUPPLY CHAIN DEVIATIONS

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy must be reported to Council for noting. The deviations disclosed below largely relates to emergency procurement and where there was only one sole provider of the required services .

Current year deviations

7 710 492

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
43. CONTINGENCIES		
Contingencies arising from pending litigation on contractual disputes and damage claims:		
Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:		
CONTINGENT LIABILITIES		
1. Gloria Basie	310 000	310 000
The case is in relation to demolition of illegal structures. Awaiting withdrawal of action from the plaintiff attorney.	-	-
2. Maluvana Development Area	-	1 200 000
Eviction of illegal occupiers and subsequent demolition of illegal structures. Estimated to be finalised by 2018.	-	-
3. Bigen Africa	450 000	450 000
A claim against the Municipality. Judgement against the municipality was granted of R269 009.26 on 06/02/2014. Settlement negotiations in process for plaintiff's acceptance of offer.	-	-
4. Jozi's Partanose Electronics	31 000 000	31 000 000
A claim for damages against the Municipality. Awaiting the plaintiff to set down the matter. Matter estimated to be finalised by 2016.	-	-
5. Chief Madala Nkuna	300 000	300 000
Defending Chief Nkuna Malubana who is being sued. Matter removed from the roll on 27/02/2013. Awaiting for a new date.	-	-
6. Bannie Jacob Ngubeni	300 000	300 000
A claim for damages suffered as a result of demolition. Awaiting notice of withdrawal of action by the plaintiff's attorneys.	-	-
7. Niloti/Ex Service Construction	1 138 700	1 138 700
A claim against the municipality for servicing the Thulamahashe sites. The matter is on hold.	-	-
8. MGN Security	149 454	149 454
The case is for allegedly providing security services around 2007 for which the claims were never submitted to the Municipality until 2009.	-	-
9. Turquoise Moon Trading	12 166 912	-
Claim for damages as a result of termination of contract. Matter referred to arbitration.	-	-
10. Turquoise Moon Trading	90 922	90 922
Claim for fixing of Mkhuhlu traffic lights.	-	-
11. Molemo Consulting Engineers	2 102 582	2 102 582
Claim for variation order of rate increases for imported pipes.	-	-
12. Makaula Zilwa Inc / MNB Chartered Accountants JV	4 517 135	-
An alleged claim for services rendered.	-	-
13. B.T Monareng Construction	700 000	700 000
A claim against the municipality. The municipality filed a counter claim for overpayment of R500 000.	-	-
14. Mr Mayinga	900 000	900 000
Thulamahashe dumping site claim for damages. Negotiations continue between PJ Lourens and the municipality. The matter is on hold.	-	-
15. Dumanta Trading CC	360 547	150 000
Claim for payment of construction of rising mainline with a 75mm class 9 upvc pipeline. Appointment made by former Bohlabela District.	-	-
16. Nxumalo DP	-	80 000
Instruction by the municipality to obtain court interdict for illegal construction of structures at Dwarsloop. Matter removed from the roll and await a new date.	-	-
17. Caroline Velaphi Malope	-	500 000

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
43. CONTINGENCIES (continued)		
Defending the claim for damages	-	-
18. Caroline Velaphi Malope	3 305 000	-
Defending the claim against damages. Notice in terms Rule 30 (1) served and await response from plaintiff attorneys. Matter estimated to be finalised by December 2016.	-	-
19. Frank Mnisi	-	200 000
Application for suspension of appointment.	-	-
20. Malo Construction	-	-
A claim for alleged no-payment of bulk water supply project.	10 180 646	-
21. Mthenjakave	-	6 908 001
Security services offered	-	-
22. Mthenjakave	-	2 029 800
Security services offered	-	-
23. Eumango Business Enterprise	4 574 182	-
The contractor was appointed without following due SCM processes .The contractor have put in a claim for work done in Thulamahashe of which the municipality is investigating.	-	-
24. Alfa Tool and Equipment	683 631	-
SCM due processes were not followed. The municipality is still investigating the appointment of the service provider	-	-
25. Kebatla Building and Civil Contractor (Pty) Ltd	92 289	-
SCM processes were not followed on the appointment of the service provider and the payment is being withheld.	-	-
	73 322 000	48 509 459

44. OTHER FINANCIAL LIABILITIES

FINANCIAL LIABILITY

Financial liability	80 787 121
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This relates to the long term portion of the Rand Water debt as per the agreement entered into between the Municipality and Rand Water.

45. RELATED PARTIES

RELATED PARTY BALANCES

Related party transactions consist mainly of the supply of goods or services to the municipality. The businesses are owned by close family members of staff, as detailed below:

MTHEMBU NKUNA ATTORNEYS: Relation: Mrs Nkuna who is with the municipality's Legal Office is the wife of Mr Nkuna, the Attorney at Mthembu Nkuna Attorneys.

MATLALA NYAPELE INVESTMENT AND PROPERTIES: Relation: Miss Moripe, an SCM Practitioner with the municipality, is the sister to Mr Moripe of Matlala Nyapele.

COMPANY	Current year balance
MTHEMBU NKUNA ATTORNEYS	221 589
MATLALA-NYAPELE/XIPUNU CONSTRUCTION JOINT VENTURE	4 386 312
MATLALA NYAPELE INVESTMENT AND PROPERTIES	268 295
	4 876 196

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46. (LOSS)/ GAIN ON DISPOSAL OF ASSETS		
Proceeds from sale of assets	713 776	3 151 126
Net book value at date of disposal	(1 062 354)	-
	<u>(348 578)</u>	<u>3 151 126</u>

The Municipality conducted an auction to dispose of movable assets that were non-functional. The assets were auctioned on 18 June 2015. The cash received from sale of assets during the auction amounted to R713 776 resulting in an overall loss on disposal of R348 578