

**Ehlazeni District Municipality
Annual Financial Statements
for the year ended 30 June 2016**

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Mayoral committee

Executive Mayor

Speaker

Mayoral committee

LN Shongwe

MJ Mavuso

EIT Shabangu

TB Mdhuli

MJ Mnisi

BN Mdakane

ET Mabuza (Resigned 31/7/2015)

NC Hlophe

SP Monareng

BK Mokoena

BM Ncongwane

MM Nthali

HL Lekhuleni

SP Mnisi

ML Mathebula

KR Mkhari (Deceased 21/3/2016)

TC Dibakoane

MW Nkhata

M Chembeni -Sahi

SV Khumalo

TP Maphanga

L Sithole

ST Mkhumbane

RG Herbst

GP Mkhombo

RN Mnisi

TJ Makhubedu

MJ Morema

TM Charles

JJ Khoza

HK Malomane

TP Mkhathshwa-Manave

NB Matume

ET Mkhabela

CN Mnyambu

SI Mokoena

DD Ngwenyama

SR Schormann

WH Shongwe

TE Masilela

M Zitha

LA Mabuza

SR Silombo

GN Mogiba

DA Maphanga

Z Godi

RD Makhubele

VN Mzimba

EN Khoza

Councillors

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

DR Mashabane
LE Khosa
HP Thobakgale
SE Molobela
S Mabuza
JH Ligthelm
JV Mhlaba
J Koster
EM Sebashe
NS Nyalunga
PB Bongco
WS Segage
NL Mathebula
TS Sibuyi
CM Mashego
RD Tshobete
TS Khoza
SP Mathonsi
RE Khumalo
LV Mashaba
S Mashigo-Sekgobela

Grading of local authority

5

Municipal demarcation code

DC32

Accounting Officer (Acting)

MH Shabangu

Chief Financial Officer

WJ Khumalo

Registered office

8 Van Niekerk Street
Mbombela
Mpumalanga
1200

Postal address

P O Box 3333
Mbombela
Mpumalanga
1200

Bankers

Standard Bank of South Africa

Auditors

Auditor General South Africa

Attorneys

VF Mokoena Attorneys
Singwane & Partners Attorneys

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 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 external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

MH Shabangu
Accounting Officer (Acting)

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated
Assets			
Current Assets			
Inventories	5	313 363	664 767
Investments	7	549 675	523 095
Receivables from exchange transactions	4	226 972	393 520
VAT receivable	6	1 463 302	1 966 503
Cash and cash equivalents	3	68 131 846	76 349 476
		70 685 158	79 897 361
Non-Current Assets			
Property, plant and equipment	8	219 413 322	225 462 606
Intangible assets	10	1 788 562	1 359 891
Investments	7	3 459 232	3 801 945
Work in progress	11	4 689 773	1 481 635
		229 350 889	232 106 077
Total Assets		300 036 047	312 003 438
Liabilities			
Current Liabilities			
Short term portion of long term liabilities	13	5 095 032	13 208 732
Payables from exchange transactions	9	34 394 858	47 924 307
Unspent conditional grants	14	-	77 732
Provisions	12	34 746 799	28 884 352
		74 236 689	90 095 123
Non-Current Liabilities			
Long-term liabilities	13	142 356 044	161 526 805
Total Liabilities		216 592 733	251 621 928
Net Assets		83 443 314	60 381 510
Accumulated surplus		83 443 314	60 381 510

Audited
By
2016-11-30
Auditor-General South Africa
Mpumalanga Business Unit

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated
Revenue			
Revenue from exchange transactions			
Other income	34	940 676	4 564 160
Rental of facilities and equipment	34	149 393	147 060
Interest received	32	6 261 888	3 969 739
Dividends received	34	119 348	109 605
Revenue from non-exchange transactions			
Government grants & subsidies	15	224 402 000	212 630 721
Total revenue		231 873 305	221 421 285
Expenditure			
Employee related cost	16	(98 673 434)	(84 254 495)
Remuneration of councillors	17	(14 491 274)	(13 651 881)
Audit fees	22	(3 103 217)	(2 471 005)
Depreciation and amortisation	18	(9 596 712)	(8 831 687)
Finance costs	19	(20 817 178)	(21 860 462)
Debt impairment		(259 551)	-
Repairs and maintenance		(40 085)	(141 081)
Contracted services	20	(2 574 233)	(3 321 691)
Grants and subsidies	21	(16 566 968)	(21 593 867)
General expenses	23	(41 532 339)	(39 400 098)
Total expenditure		(207 654 991)	(195 526 267)
Operating surplus		24 218 314	25 895 018
(Loss)/profit on disposal of assets		(87 419)	40 431
(Loss)/gain on fair value adjustment		(342 714)	263 053
Actuarial (loss)/gain		(250 000)	28 000
Surplus for the year		23 538 181	26 226 502



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	33 137 192	33 137 192
Adjustments		
Prior period adjustments	1 691 284	1 691 284
Balance at 01 July 2014 as restated	34 828 476	34 828 476
Changes in net assets		
Prior period adjustments	(673 468)	(673 468)
Net income (losses) recognised directly in net assets	(673 468)	(673 468)
Surplus for the year	26 226 502	26 226 502
Total recognised income and expenses for the year	25 553 034	25 553 034
Total changes	25 553 034	25 553 034
Balance at 01 July 2015	60 381 510	60 381 510
Changes in net assets		
Prior period adjustments	(476 377)	(476 377)
Net income (losses) recognised directly in net assets	(476 377)	(476 377)
Surplus for the year	23 538 181	23 538 181
Total recognised income and expenses for the year	23 061 804	23 061 804
Total changes	23 061 804	23 061 804
Balance at 30 June 2016	83 443 314	83 443 314



Ehlanzeni District Municipality
Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated
Cash flows from operating activities			
Receipts			
SARS		11 095 460	16 272 593
Grants		224 246 576	207 979 279
Interest income		6 236 073	3 948 774
Dividends received		119 348	386 424
Other receipts		26 377 067	61 403 372
		<u>268 074 524</u>	<u>289 990 442</u>
Payments			
Employee costs		(108 454 881)	(88 647 653)
Suppliers		(73 788 072)	(78 244 646)
Finance costs		(18 523 824)	(19 859 687)
Other payments		(42 934 358)	(62 064 713)
		<u>(243 701 135)</u>	<u>(248 816 699)</u>
Net cash flows from operating activities	24	<u>24 373 389</u>	<u>41 173 743</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2 947 297)	(1 507 600)
Proceeds from sale of property, plant and equipment		26 079	132 254
Purchase of intangible assets	10	(1 142 300)	(109 884)
(Increase)/decrease in work in progress		(1 243 040)	(1 055 875)
Net cash flows from investing activities		<u>(5 306 558)</u>	<u>(2 541 105)</u>
Cash flows from financing activities			
Repayment of long-term liabilities		(27 284 461)	(11 967 866)
Net cash flows from financing activities		<u>(27 284 461)</u>	<u>(11 967 866)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(8 217 630)</u>	<u>26 664 772</u>
Cash and cash equivalents at the beginning of the year		76 349 476	49 684 704
Cash and cash equivalents at the end of the year	3	<u>68 131 846</u>	<u>76 349 476</u>



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income	2 700 000	(1 250 000)	1 450 000	940 676	(509 324)	Note 39.10
Rental of facilities and equipment	366 180	-	366 180	149 393	(216 787)	
Interest received	3 200 000	1 600 000	4 800 000	6 261 888	1 461 888	Note 39.1
Dividends received	130 000	-	130 000	119 348	(10 652)	
Total revenue from exchange transactions	6 396 180	350 000	6 746 180	7 471 305	725 125	

Revenue from non-exchange transactions

Taxation revenue

Government grants & subsidies	252 182 000	(28 500 000)	223 682 000	224 402 000	720 000	
Total revenue	258 578 180	(28 150 000)	230 428 180	231 873 305	1 445 125	

Expenditure

Employee related cost	(95 662 540)	(8 345 187)	(104 007 727)	(98 673 434)	5 334 293	Note 39.12
Remuneration of councillors	(14 598 540)	(1 283 071)	(15 881 611)	(14 491 274)	1 390 337	
Audit fees	(3 145 933)	-	(3 145 933)	(3 103 217)	42 716	
Depreciation	(12 500 000)	-	(12 500 000)	(9 596 712)	2 903 288	Note 39.2
Finance costs	(22 311 245)	2 254 825	(20 056 420)	(20 817 178)	(760 758)	Note 39.3
Debt impairment	-	-	-	(259 551)	(259 551)	Note 39.13
Repairs and maintenance	(447 659)	82 065	(365 594)	(40 085)	325 509	Note 39.4
Contracted services	(3 353 600)	700 000	(2 653 600)	(2 574 233)	79 367	
Grants and subsidies	(55 843 000)	30 095 314	(25 747 686)	(16 566 968)	9 180 718	Note 39.14
General expenses	(53 465 663)	4 646 054	(48 819 609)	(41 532 339)	7 287 270	Note 39.5
Total expenditure	(261 328 180)	28 150 000	(233 178 180)	(207 654 991)	25 523 189	
Operating surplus	(2 750 000)	-	(2 750 000)	24 218 314	26 968 314	
Loss on disposal of assets	-	-	-	(87 419)	(87 419)	Note 39.3
Loss on fair value adjustment	-	-	-	(342 714)	(342 714)	Note 39.3
Actuarial loss	-	-	-	(250 000)	(250 000)	Note 39.3
	-	-	-	(680 133)	(680 133)	
Surplus/(deficit) for the year	(2 750 000)	-	(2 750 000)	23 538 181	26 288 181	



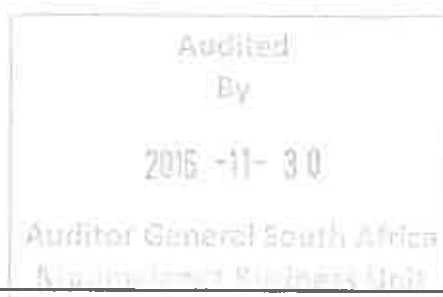
Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	350 000	-	350 000	313 363	(36 637)	
Investments	182 000	-	182 000	549 675	367 675	
Receivables from exchange transactions	1 459 000	-	1 459 000	226 972	(1 232 028)	Note 39.16
VAT receivable	2 000 000	-	2 000 000	1 463 302	(536 698)	Note 39.14
Cash and cash equivalents	24 604 000	52 995 000	77 599 000	68 131 846	(9 467 154)	Note 39.6
	28 595 000	52 995 000	81 590 000	70 685 158	(10 904 842)	
Non-Current Assets						
Property, plant and equipment	216 227 000	-	216 227 000	219 413 322	3 186 322	
Intangible assets	-	-	-	1 788 562	1 788 562	Note 39.9
Investments	3 915 000	-	3 915 000	3 459 232	(455 768)	Note 39.15
Work in progress	1 673 000	-	1 673 000	4 689 773	3 016 773	Note 39.14
	221 815 000	-	221 815 000	229 350 889	7 535 889	
Total Assets	250 410 000	52 995 000	303 405 000	300 036 047	(3 368 953)	
Liabilities						
Current Liabilities						
Long-term liabilities	13 044 000	-	13 044 000	5 095 032	(7 948 968)	Note 39.8
Payables from exchange transactions	31 584 000	-	31 584 000	34 394 858	2 810 858	
Provisions	28 511 000	-	28 511 000	34 746 799	6 235 799	Note 39.3
	73 139 000	-	73 139 000	74 236 689	1 097 689	
Non-Current Liabilities						
Long-term liabilities	162 569 000	-	162 569 000	142 356 044	(20 212 956)	Note 39.8
Total Liabilities	235 708 000	-	235 708 000	216 592 733	(19 115 267)	
Net Assets	14 702 000	52 995 000	67 697 000	83 443 314	15 746 314	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	14 702 000	52 995 000	67 697 000	83 443 314	15 746 314	Note 39.7



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	252 182 000	(28 500 000)	223 682 000	224 246 576	564 576	
Interest income	3 200 000	1 600 000	4 800 000	6 236 073	1 436 073	Note 39.1
Dividends received	130 000	-	130 000	119 348	(10 652)	
Other receipts	3 066 000	(1 250 000)	1 816 000	37 472 527	35 656 527	Note 39.6
	258 578 000	(28 150 000)	230 428 000	268 074 524	37 646 524	

Payments

Supplier and employee costs	(169 724 000)	(1 945 000)	(171 669 000)	(225 177 311)	(53 508 311)	Note 39.6
Finance costs	(22 311 000)	-	(22 311 000)	(18 523 824)	3 787 176	Note 39.8
	(192 035 000)	(1 945 000)	(193 980 000)	(243 701 135)	(49 721 135)	

Net cash flows from operating activities	66 543 000	(30 095 000)	36 448 000	24 373 389	(12 074 611)	
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Cash flows from investing activities

Purchase of other intangible assets	(1 200 000)	-	(1 200 000)	(1 142 300)	57 700	
Proceeds from sale of assets	-	-	-	26 079	26 079	
Purchase of property, plant and equipment	(3 650 000)	-	(3 650 000)	(2 947 297)	702 703	
Decrease/(Increase) other non-current assets	(50 693 000)	30 095 000	(20 598 000)	(1 243 040)	19 354 960	Note 39.10
	(55 543 000)	30 095 000	(25 448 000)	(5 306 558)	20 141 442	

Net cash flows from investing activities	(55 543 000)	30 095 000	(25 448 000)	(5 306 558)	20 141 442	
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Cash flows from financing activities

Repayment of long term liabilities	(9 750 000)	-	(9 750 000)	(27 284 461)	(17 534 461)	Note 39.8
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Net increase/(decrease) in cash and cash equivalents	1 250 000	-	1 250 000	(8 217 630)	(6 967 630)	
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Cash and cash equivalents at the beginning of the year	23 354 000	52 995 000	76 349 000	76 349 476	476	
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Cash and cash equivalents at the end of the year	24 604 000	52 995 000	77 599 000	68 131 846	(6 967 154)	
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Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

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

1.1 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:

Trade receivables /Investments and/or other financial assets

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as inflation interest.

Provisions

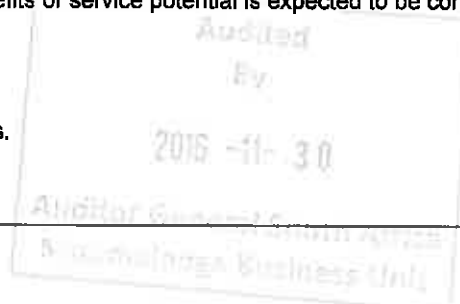
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

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

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

Initial recognition

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.

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

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

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

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

Subsequent measurement - cost model

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

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Property, plant and equipment (continued)

Depreciation and impairment

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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.

The municipality tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite
Buildings	50 years
Plant and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Bins and containers	5 - 10 years

1.3 Intangible assets

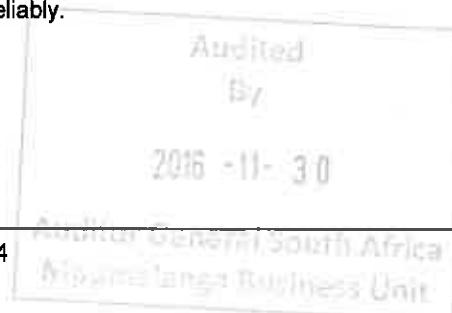
An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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.



Ehlanzeni District Municipality

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Accounting Policies

1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Subsequent measurement - cost model

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

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

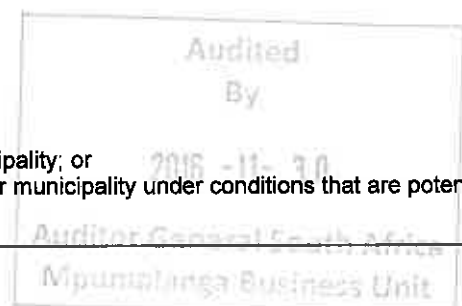
Item	Useful life
Computer software	3 - 10 years

1.4 Financial instruments

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

A financial asset is:

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



Ehlanzeni District Municipality

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Accounting Policies

1.4 Financial instruments (continued)

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

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

Initial recognition

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

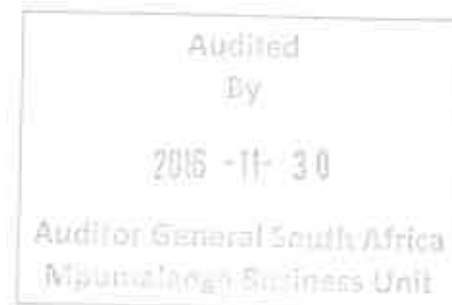
The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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



Ehlanzeni District Municipality

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Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

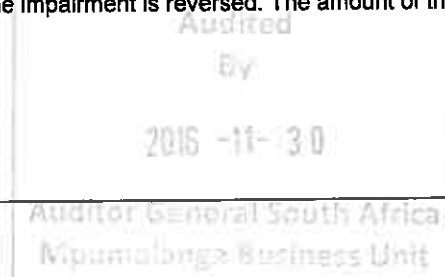
The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.5 Leases

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

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

Finance leases - lessor

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

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

Ehlanzeni District Municipality

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Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

1.6 Inventories

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

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.

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Inventories (continued)

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.

1.7 Non-current assets held for sale and disposal groups

Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.8 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).

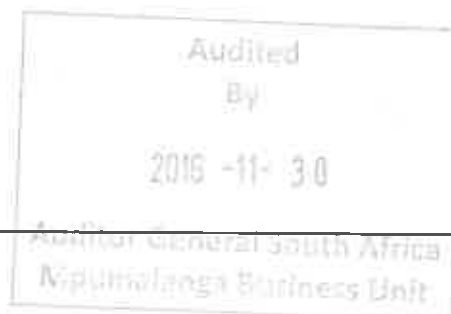
Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test 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.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating 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.

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.

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.

Reversal of an impairment loss

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

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

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

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

Ehlanzeni District Municipality

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Accounting Policies

1.9 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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



Ehlanzeni District Municipality

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Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

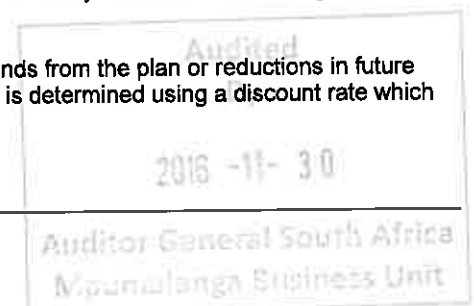
The amount recognised as a defined benefit liability is the net total of the following amounts:

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

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

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

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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



Ehlanzeni District Municipality

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Accounting Policies

1.9 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

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

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

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

1.10 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.

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

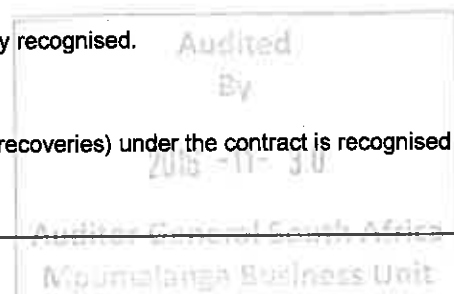
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

Provisions are not recognised for future operating deficits.

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when a municipality:

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

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

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Contingencies are disclosed in note 27.

1.11 Revenue from exchange transactions

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

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

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

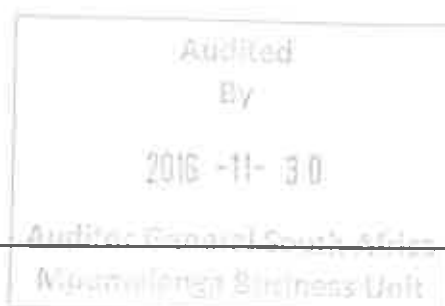
Measurement

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

Sale of goods

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

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of municipality's assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

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

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

1.12 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.13 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

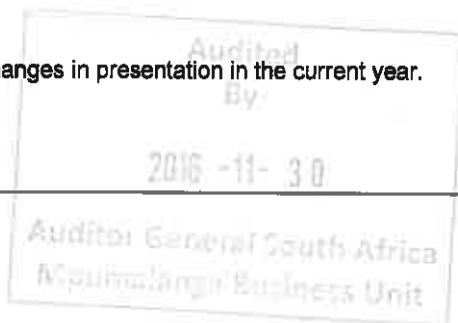
Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

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



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.16 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.

1.17 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.

1.18 Irregular expenditure

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

1.19 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.20 Work in progress

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.21 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.22 Budget information

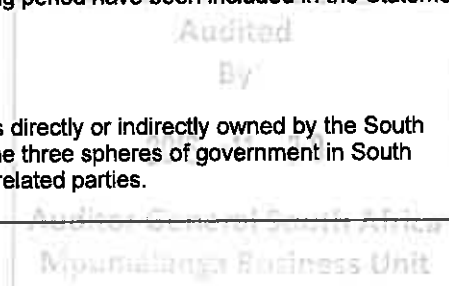
The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

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 local sphere of government are considered to be related parties.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Related parties (continued)

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 Going concern assumption

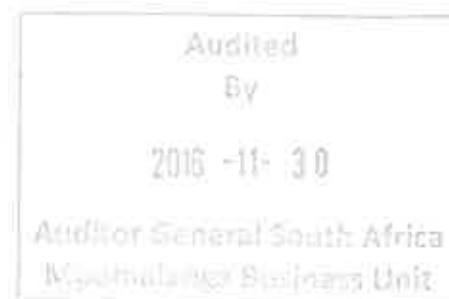
These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.25 Capital commitments

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

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life as been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

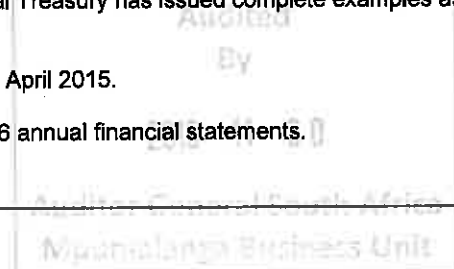
The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Improvements to the standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly due to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 23 (as amended 2015): Revenue from non-exchange transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 2016 or later periods:

GRAP 18: Segment Reporting

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

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

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 20: Related parties

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

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

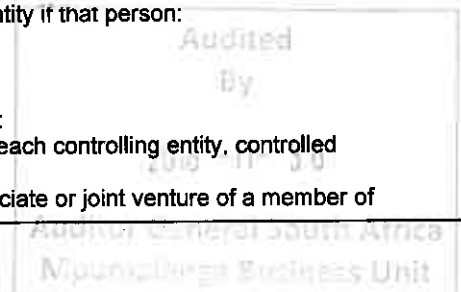
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between a municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made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

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

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

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

- * A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- * An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

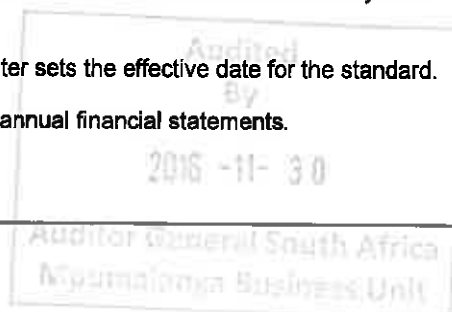
An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 108: Statutory Receivables



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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

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

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

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

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

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

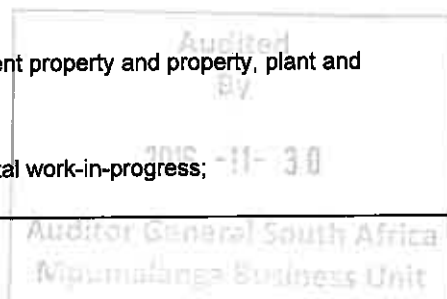
The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

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

GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

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

GRAP 109: Accounting by Principals and Agents

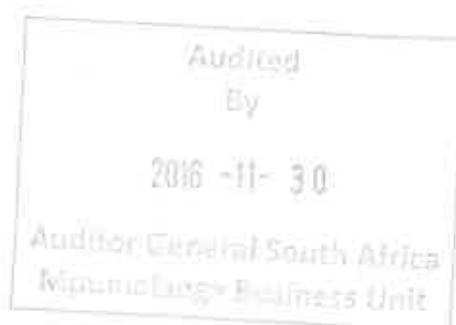
The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	4 000	4 000
Bank balances	68 127 846	76 345 476
	68 131 846	76 349 476

The municipality had the following bank accounts

Account number / description

Cash Book and Bank Statement balances

	30 June 2016	30 June 2015	30 June 2014
FNB Nelspruit Cheque account - 62 113 491 419	47 879 505	32 821 584	17 308 435
FNB Nelspruit Cheque account - 62 113 492 938	-	233 164	226 848
FNB Nelspruit Cheque account - 62 113 495 916	-	480 134	464 065
FNB Nelspruit Cheque account - 62 113 496 360	-	477 191	461 230
FNB Nelspruit Cheque account - 62 113 496 708	-	1 106 552	1 067 537
FNB Nelspruit Cheque account - 62 113 498 564	-	1 533 510	1 478 855
FNB Nelspruit Cheque account - 62 113 499 554	-	63 383	62 580
Standard Bank Nelspruit Cheque account - 63395622 (Primary bank account)	20 245 074	39 626 691	28 607 887
Standard Bank Nelspruit Cheque account - 273226703	3 267	3 267	3 267
Total	68 127 846	76 345 476	49 680 704

4. Receivables from exchange transactions

Trade and other receivables	226 972	393 520
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Trade and other receivables

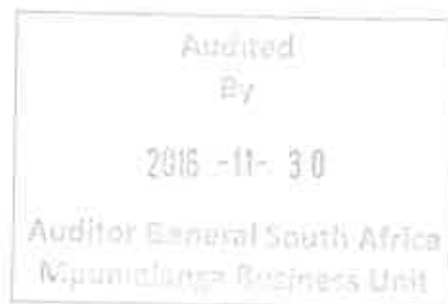
	Gross balance	Allowance for debt impairment	Total
2016			
Other receivables	645 179	(418 207)	226 972
2015			
Other receivables	552 177	(158 657)	393 520

Trade and other receivables: Ageing

Current	6 078	55 063
30+ days	4 078	24 145
60+ days	4 519	-
90+ days	4 078	-
120+ days	12 190	208 537
365+ days	196 029	105 775

Trade and other receivables impaired

Current	(137 267)	-
120+ days	(4 000)	-
365+ days	(276 940)	(158 657)



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
4. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(158 657)	(158 657)
Provision for impairment	(259 550)	-
	(418 207)	(158 657)
5. Inventories		
Consumable stores	313 363	664 767
Opening balance	664 767	382 369
Additions	963 933	1 175 074
Issued	(1 208 070)	(914 785)
Inventory adjustment	(107 267)	22 109
Closing balance	313 363	664 767
Inventories comprise of office stationery.		
6. VAT receivable		
VAT refundable	1 463 302	1 966 503
7. Investments		
Fixed deposits	549 675	523 095
Listed investments	3 459 232	3 801 945
	4 008 907	4 325 040

Sanlam listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

There is a limited general session on the ABSA fixed deposit account for R120,000.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016 2015

8. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 103 054	-	8 103 054	8 103 054	-	8 103 054
Buildings	234 443 411	(33 682 411)	200 761 000	233 914 677	(28 043 262)	205 871 415
Furniture and fixtures	9 462 701	(5 697 590)	3 765 111	9 445 314	(4 767 073)	4 678 241
Motor vehicles	4 139 155	(2 710 416)	1 428 739	3 635 246	(2 367 028)	1 268 218
Office equipment	24 601 531	(20 253 445)	4 348 086	23 320 077	(19 024 243)	4 295 834
Plant and equipment	2 623 103	(1 615 990)	1 007 113	2 615 490	(1 369 975)	1 245 515
Bins and containers	4 289	(4 070)	219	4 289	(3 960)	329
Total	283 377 244	(63 963 922)	219 413 322	281 038 147	(55 575 541)	225 462 606

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8 103 054	-	-	-	8 103 054
Buildings	205 871 415	528 734	-	(5 639 149)	205 871 000
Furniture and fixtures	4 678 241	30 112	(5 068)	(938 174)	3 765 111
Motor vehicles	1 268 218	503 909	-	(343 388)	1 428 739
Office equipment	4 295 834	1 858 127	(67 347)	(1 738 528)	4 348 086
Plant and equipment	1 245 515	26 415	(3 619)	(261 198)	1 007 113
Bins and containers	329	-	-	(110)	219
	225 462 606	2 947 297	(76 034)	(8 920 547)	219 413 322

Reconciliation of property, plant and equipment - 2015

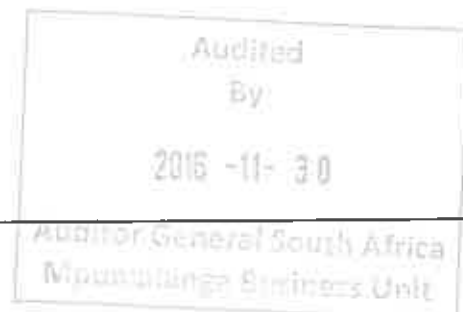
	Opening balance	Additions	Disposals	Depreciation	Total
Land	8 103 054	-	-	-	8 103 054
Buildings	211 493 409	45 000	-	(5 666 994)	205 871 415
Furniture and fixtures	5 496 736	111 557	(1 770)	(928 282)	4 678 241
Motor vehicles	1 339 209	304 999	(84 390)	(291 600)	1 268 218
Office equipment	4 379 488	1 226 853	(66 331)	(1 244 176)	4 295 834
Plant and equipment	1 456 085	54 190	(1 666)	(263 094)	1 245 515
Bins and containers	439	-	-	(110)	329
	232 268 420	1 742 599	(154 157)	(8 394 256)	225 462 606

Pledged as security

Carrying value of assets pledged as security:

Land and buildings 208 864 054 213 974 469

Refer to Appendix B for more detail on property, plant and equipment.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

9. Payables from exchange transactions

Trade payables	24 488 165	38 414 390
Retentions	9 906 693	9 509 917
	34 394 858	47 924 307

10. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9 980 526	(8 191 964)	1 788 562	9 592 522	(8 232 631)	1 359 891

Reconciliation of Intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 359 891	1 142 300	(37 464)	(676 165)	1 788 562

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 700 408	109 884	(12 970)	(437 431)	1 359 891

11. Work in progress

Construction work in progress	4 689 773	694 172
Other work in progress	-	787 463
	4 689 773	1 481 635



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

12. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	7 701 000	1 191 000	(454 000)	8 438 000
Leave provision	4 085 152	355 938	(145 291)	4 295 799
Post retirement benefits	16 371 000	3 818 000	(176 000)	20 013 000
Provision for performance bonuses	727 200	2 730 370	(1 457 570)	2 000 000
	28 884 352	8 095 308	(2 232 861)	34 746 799

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	5 783 000	2 143 000	(225 000)	7 701 000
Leave provision	3 787 349	385 200	(87 397)	4 085 152
Post retirement benefits	14 670 000	1 829 000	(128 000)	16 371 000
Provision for performance bonuses	257 678	1 322 174	(852 652)	727 200
	24 498 027	5 679 374	(1 293 049)	28 884 352

Leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Provision for performance bonuses

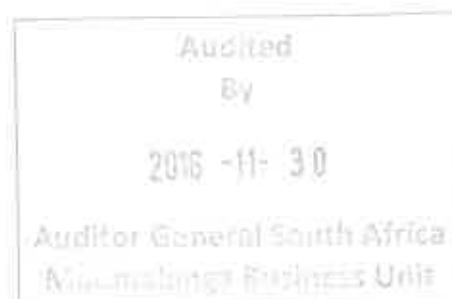
Performance bonuses are being paid to Municipal Manager, managers and municipal staff after an evaluation of performance by the council.

Post retirement benefits

Opening balance	16 371 000	14 670 000
Interest cost	1 579 000	1 460 000
Current service cost	1 547 000	1 360 000
Expected employer benefit payments	(176 000)	(128 000)
Actuarial loss/(gain)	692 000	(991 000)
	20 013 000	16 371 000

Net expense recognised In Statement of Financial Performance

Interest cost	1 579 000	1 460 000
Current service cost	1 547 000	1 360 000
Actuarial loss/(gain)	692 000	(991 000)
	3 818 000	1 829 000



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

12. Provisions (continued)

Long service awards

Opening balance	7 701 000	5 783 000
Interest cost	713 000	537 000
Current service cost	920 000	643 000
Benefits paid	(454 000)	(225 000)
Actuarial (gain)/loss	(442 000)	963 000
	8 438 000	7 701 000

Net expense recognised in Statement of Financial Performance

Interest cost	713 000	537 000
Current service cost	920 000	643 000
Actuarial (gain)/loss	(442 000)	963 000
	1 191 000	2 143 000

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health), Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 3,871 per month as from 1 July 2016.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2016.

Long service awards

The municipality rewards its employees who are in service for an unbroken period of 10 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2016.

Provision for performance bonuses

Performance bonuses accrued to fixed contract employees subject to certain conditions being met.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
12. Provisions (continued)		
Calculation of actuarial gains & losses		
The following key assumptions were used at reporting date:		
Post retirement benefits		
Discount rate	11.30%	9.70%
Rand Cap Inflation	9.90%	8.10%
Health Care Cost Inflation	10.90%	9.10%
Salary Inflation	9.90%	8.10%
Expected retirement age	65 years	65 years
Continuation members	5	4
In-service members	128	127
Long service awards		
Discount rate	9.00%	8.50%
Inflation rate	6.80%	6.30%
Salary Inflation	7.80%	7.30%
In-service members	138	140
13. Long term liabilities		
At amortised cost		
DBSA loan	147 451 076	174 735 537

The municipality had three separate loans at DBSA during the period with different maturity dates and interest rates. Two of the loans were settled by 30 June 2016. Details of the loans are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

DBSA - 61000887 (Settled)
Maturity date: 31/12/2020
Interest calculated at 6.75%

DBSA - 61000885 (Settled)
Maturity date: 31/12/2016
Interest calculated at
11.43%

Non-current liabilities		
At amortised cost	142 356 044	161 526 805
Current liabilities		
At amortised cost	5 095 032	13 208 732



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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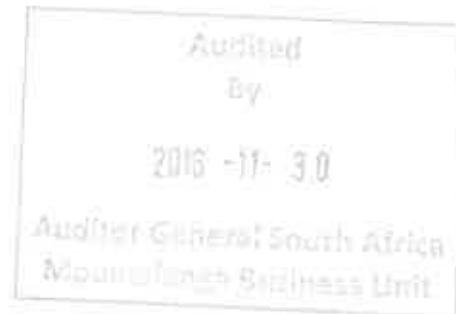
14. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Mpumalanga Provincial Government Department of Finance	-	60 326
National Treasury Finance Management Grant	-	181
National Department Roads & Transport	-	2 043
Municipal Systems Improvement Grant	-	15 182
	-	77 732

See note 15 for reconciliation of grants and subsidies.

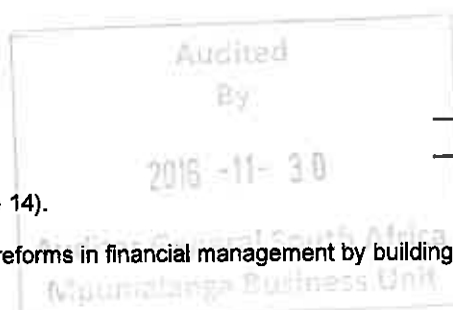


Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
15. Government grants and subsidies		
Government grant - Equitable Share	217 441 000	199 678 000
Government grant - Municipal Systems Improvement Grant	940 000	919 045
Government grant - Finance Management Grant	1 500 000	1 500 665
Government grant - Department of Water Affairs	-	1 923 754
Government grant - Barberton Mines (Pty) Ltd	720 000	-
Government grant - Department Roads & Transport	1 893 000	1 615 829
Government grant - Expanded Public Works Program Incentive	1 908 000	2 887 000
Government grant - Department of Human Settlement	-	1 854 754
Government grant - Mpumalanga Provincial Government Department of Finance	-	2 251 674
	224 402 000	212 630 721
Mpumalanga Provincial Government Department of Finance		
Balance unspent at beginning of year	60 326	1 000 000
Current-year receipts	-	1 312 000
Conditions met - transferred to revenue	-	(2 251 674)
Transferred to National Treasury	(60 326)	-
	-	60 326
Conditions still to be met - remain liabilities (see note 14).		
The grant was received for a data cleansing project for Thaba Chweu Local Municipality.		
Mpumalanga Provincial Government Department of Human Settlement		
Balance unspent at beginning of year	-	1 854 366
Conditions met - transferred to revenue	-	(1 854 366)
	-	-
No conditions to be met - remain liabilities (see note 14).		
The purpose of the grant is to provide funding for the creation of sustainable human settlements.		
National Department of Water Affairs		
Balance unspent at beginning of year	-	1 923 754
Conditions met - transferred to revenue	-	(1 923 754)
	-	-
No conditions to be met - remain liabilities (see note 14).		
National Treasury Finance Management Grant		
Balance unspent at beginning of year	181	846
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 665)
Transferred to National Treasury	(181)	-
	-	181
Conditions still to be met - remain liabilities (see note 14).		
The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.		



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
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15. Government grants and subsidies (continued)

National Department of Roads & Transport

Balance unspent at beginning of year	2 043	625 836
Current-year receipts	1 893 000	1 843 000
Conditions met - transferred to revenue	(1 893 000)	(1 615 829)
Capital expenditure during the year	-	(1 615 829)
Expenditure during the year	-	764 865
Transferred to National Treasury	(2 043)	-
	-	2 043

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	15 182	227
Current-year receipts	940 000	934 000
Conditions met - transferred to revenue	(940 000)	(919 045)
Transferred to National Treasury	(15 182)	-
	-	15 182

Conditions still to be met - remain liabilities (see note 14).

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

Sector Education and Training Authority

Current-year receipts	59 576	196 785
Conditions met - transferred to other income	(59 576)	(196 785)
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	1 908 000	2 887 000
Conditions met - transferred to revenue	(1 908 000)	(2 887 000)
	-	-



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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15. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

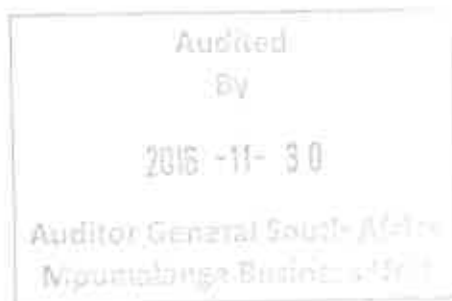
- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs
- community safety programs
- basic services infrastructure

Barberton Mines (Pty) Ltd

Balance unspent at beginning of year	-	-
Current-year receipts	720 000	50 000
Conditions met - transferred to revenue	(720 000)	(50 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The purpose of the fund is for Small, Medium and Macro Enterprise development.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

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16. Employee related costs

Basic	61 574 516	51 921 239
Annual bonus	6 427 669	4 438 552
Medical aid - company contributions	4 461 469	3 749 106
UIF	317 137	288 319
SDL	698 413	617 670
Leave pay provision contribution	355 938	385 200
Post-employment benefits - pension - defined contribution plan	10 610 058	9 709 582
Travel, motor car, accommodation, subsistence and other allowances	12 879 994	11 925 800
Overtime payments	160 707	467 137
Acting allowances	654 912	367 711
Housing benefits and allowances	519 767	372 958
Bargaining council	12 854	11 221
	98 673 434	84 254 495

Remuneration of Municipal Manager - Adv. HM Mbatha (Resigned 31/3/2016)

Annual Remuneration	1 310 795	1 029 425
Car Allowance	286 000	360 000
Performance Bonuses	132 894	217 508
Contributions to UIF, Medical and Pension Funds	209 311	271 674
	1 939 000	1 878 607

Remuneration of Chief Financial Officer - W Khumalo

Annual Remuneration	1 060 496	997 774
Car Allowance	336 000	300 000
Performance Bonuses	123 123	201 497
Contributions to UIF, Medical and Pension Funds	249 756	242 153
	1 769 375	1 741 424

Acting manager: Corporate Services - GN Zulu (Acting from 01/04/2016)

Annual Remuneration	118 691	-
Car Allowance	33 000	-
Contributions to UIF, Medical and Pension Funds	25 727	-
Acting allowance	44 153	-
Other	3 606	-
	225 177	-

Manager: Corporate services - MH Shabangu (Acting Municipal Manager from 01/04/2015)

Annual Remuneration	591 766	552 605
Car Allowance	324 000	300 000
Performance Bonuses	81 168	66 375
Contributions to UIF, Medical and Pension Funds	172 104	163 851
Acting allowance	178 133	87 935
Other	1 568	46 833
	1 348 739	1 217 599

Audited
By
2016 -11- 30
Auditor General South Africa
W. Gumalanga 48 Business Unit

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
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16. Employee related costs (continued)

Manager: LED & Tourism - NP Mahlalela

Annual Remuneration	860 451	807 300
Car Allowance	336 000	300 000
Performance Bonuses	104 997	85 897
Contributions to UIF, Medical and Pension Funds	208 954	205 077
Acting allowance	-	12 554
Other	521	34 791
	1 510 923	1 445 619

Manager: Technical services - TD Gogwane

Annual Remuneration	569 606	265 567
Car Allowance	204 000	90 000
Performance Bonuses	78 386	-
Contributions to UIF, Medical and Pension Funds	146 916	70 403
Acting Allowance	131 638	63 901
	1 130 546	489 871

Manager: Municipal Health & Environment- ST Shabangu

Annual Remuneration	683 739	643 372
Car Allowance	330 000	300 000
Contributions to UIF, Medical and Pension Funds	147 261	141 463
Acting allowance	19 763	6 926
Performance bonus	86 720	70 924
	1 267 483	1 162 685

Manager: Public Safety & Disaster Management - SR Mhlongo

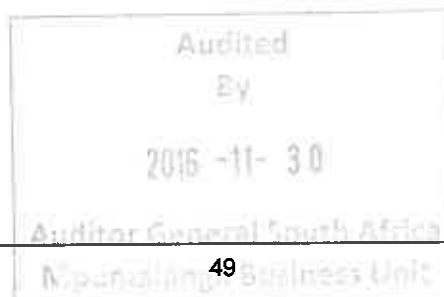
Annual Remuneration	644 481	605 505
Car Allowance	330 000	300 000
Performance Bonuses	86 720	70 924
Contributions to UIF, Medical and Pension Funds	185 311	178 412
	1 246 512	1 154 841

Salaries, allowances and benefits of Councillors as disclosed in note 16 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

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

17. Remuneration of councillors

Executive Mayor	921 072	898 595
Speaker	736 964	723 548
Councillors	7 640 507	7 485 567
Councillors' pension contribution	699 218	698 804
Chief Whip	690 894	681 444
Councillors other allowances	3 802 619	3 163 923
	14 491 274	13 651 881



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

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17. Remuneration of councillors (continued)

In-kind benefits

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.

The Executive Mayor has the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a full-time security guard at her residence, at the cost of the council.

Executive Mayor - Cllr LN Shongwe

Annual Remuneration	653 394	653 368
Car Allowance	230 478	210 284
Contributions to UIF, Medical and Pension Funds	37 200	34 943
	921 072	898 595

Speaker - Cllr MJ Mavuso

Annual Remuneration	528 582	524 778
Car Allowance	184 382	174 770
Contributions to UIF, Medical and Pension Funds	24 000	24 000
	736 964	723 548

Chief Whip - Cllr ET Shabangu

Annual Remuneration	466 515	480 489
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	51 521	37 108
	690 894	681 444

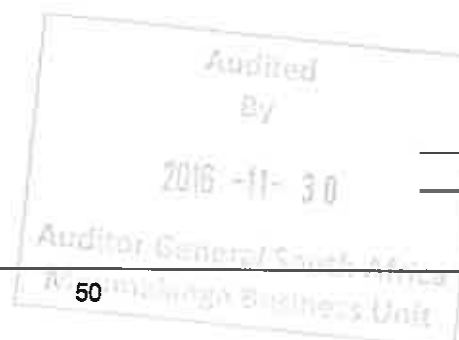
MMC Environmental Health - Cllr TB Mdhuli

Annual Remuneration	496 500	494 473
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	26 775	21 535
	696 133	679 855

MMC LED & Tourism - Cllr BK Mokoena

Annual Remuneration	461 015	459 583
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	56 913	56 749
	690 786	680 179

MMC Technical - Cllr MJ Mnisi

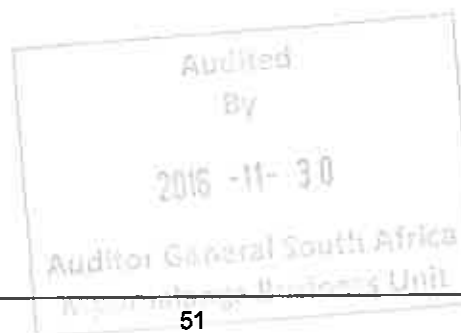


Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. Remuneration of councillors (continued)		
Annual Remuneration	455 326	457 124
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	62 713	59 376
	690 897	680 347
MMC Rural Development - Cllr SP Monareng		
Annual Remuneration	506 035	504 008
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	12 000	12 000
	690 893	679 855
MMC Corporate Services - Cllr BN Mdakane		
Annual Remuneration	474 778	472 700
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	43 308	43 308
	690 944	679 855
MMC Finance - Cllr ET Mabuza (Resigned 31/7/2015)		
Annual Remuneration	38 684	488 672
Car Allowance	14 405	163 847
Contributions to UIF, Medical and Pension Funds	2 278	27 336
	55 367	679 855
MMC Finance - Cllr BM Ncongwane (Started 01/08/2015)		
Annual Remuneration	404 034	-
Car Allowance	158 453	-
Contributions to UIF, Medical and Pension Funds	60 605	-
	623 092	-
MMC Social Services - Cllr NC Hlophe		
Annual Remuneration	469 487	469 328
Car Allowance	172 858	163 847
Contributions to UIF, Medical and Pension Funds	48 469	46 680
	690 814	679 855
18. Depreciation and amortisation		
Property, plant and equipment	8 920 547	8 394 256
Intangible assets	676 165	437 431
	9 596 712	8 831 687



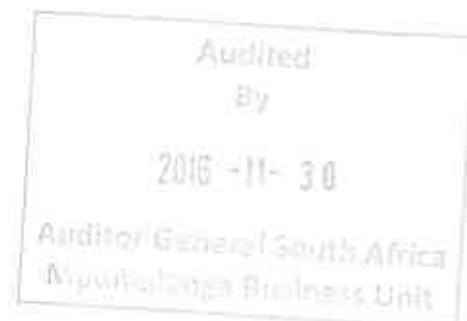
Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
19. Finance costs		
Interest - other	2 293 354	2 000 775
Interest - Development Bank of Southern Africa	18 523 824	19 859 687
	20 817 178	21 860 462
20. Contracted services		
Security services	1 154 349	1 049 408
Facility management services	1 419 884	2 272 283
	2 574 233	3 321 691
21. Grants and subsidies		
Mpumalanga Provincial Government Department of Finance	-	2 251 674
Nkomazi Local Municipality	2 334 225	-
Barberton Mines (Pty) Ltd	720 000	-
Department of Roads & Transport	1 660 150	1 615 829
Expanded Public Works Program Incentives	-	337 125
Sector plans - Local Municipalities	-	4 693 945
National Treasury Finance Management Grant	-	471 190
Municipal Systems Improvement Grant	-	519 686
Thaba Chweu Local Municipality	6 443 412	11 704 418
Umjindi Local Municipality	5 409 181	-
	16 566 968	21 593 867
22. Auditors' remuneration		
Audit fees	3 103 217	2 471 005



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
23. General expenses		
AIDS council	247 406	200 548
Advertising	1 060 195	995 037
Audit Committee	577 715	674 906
Bank charges	44 699	47 843
Bursaries	641 000	487 270
Clean up campaigns	479 327	-
Cleaning	1 244 333	1 072 898
Community outreach	3 915 376	2 928 694
Conferences and seminars	368 337	614 040
Consulting and professional fees	3 006 960	2 520 467
Disaster management cost - centre	1 114 100	1 799 850
Disaster management operational cost	1 795 601	1 740 080
Electricity	2 592 210	2 311 568
Entertainment	531 550	897 281
Fuel and oil	1 037 363	744 849
GIS operational costs	1 249 440	204 844
IDP review	246 598	374 558
IT expenses	3 242 385	1 855 359
Insurance	358 928	494 805
Lease rentals	408 243	210 685
Legal fees	306 284	763 159
Marketing	406 481	624 181
Municipal health operational cost	184 517	459 615
Other expenses	2 958 495	3 270 880
Other programs and campaigns	1 794 591	2 454 262
Postage and courier	8 297	5 608
Printing and stationery	1 629 908	1 338 537
Project maintenance costs	766 039	453 759
Protective clothing	10 108	8 976
Rates and taxes	1 612 346	1 523 580
Research and development costs	1 625	195 006
Subscriptions and membership fees	-	966 374
Telephone and fax	1 062 363	941 901
Tourism development	637 581	305 616
Training	879 534	1 001 084
Travelling and subsistence	4 682 066	4 602 812
Water	430 338	309 166
	41 532 339	39 400 098
24. Cash generated from operations		
Surplus	23 538 181	26 226 502
Adjustments for:		
Depreciation	9 596 712	8 831 687
Actuarial loss/(gain)	250 000	(28 000)
Gain on fair value adjustments	342 714	(263 053)
Profit/(loss) on disposal of assets	87 419	(40 431)
Debt impairment	259 551	-
Movements in provisions	5 862 446	4 386 325
Changes in working capital:		
Inventories	351 404	(282 398)
Receivables from exchange transactions	166 548	91 117
Payables from exchange transactions	(16 754 657)	11 992 033
VAT	750 803	341 258
Unspent conditional grants	(77 732)	(10 081 297)
	24 373 389	41 173 743



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

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25. Financial instruments disclosure

Categories of financial instruments

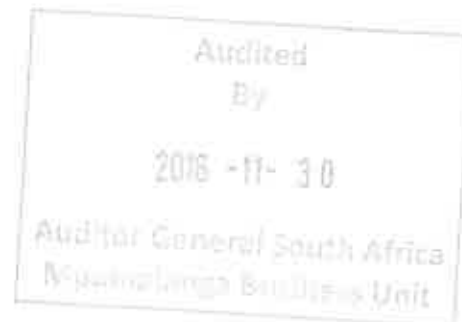
2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	226 972	-	226 972
Cash and cash equivalents	-	-	68 131 846	68 131 846
Investments	3 459 232	-	549 675	4 008 907
	3 459 232	226 972	68 681 521	72 367 725

Financial liabilities

	At amortised cost	Total
Long term liabilities	147 451 076	147 451 076
Trade and other payables from exchange transactions	34 394 858	34 394 858
	181 845 934	181 845 934



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	393 520	-	393 520
Cash and cash equivalents	-	-	76 349 476	76 349 476
Investments	3 801 945	-	523 095	4 325 040
	3 801 945	393 520	76 872 571	81 068 036

Financial liabilities

	At amortised cost	Total
Long term liabilities	174 735 537	174 735 537
Trade and other payables from exchange transactions	47 924 307	47 924 307
	222 659 844	222 659 844

26. Commitments

Authorised expenditure

Authorised capital expenditure

- Property, plant and equipment

1 059 564 1 659 080

Authorised operational expenditure

- Consulting and professional fees

2 950 000 -

Operating leases - as lessee

Minimum lease payments due

- within one year
- in second to fifth year inclusive

330 720 -

440 960 -

771 680 -

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



Ehlanzeni District Municipality

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27. Contingencies

Contingent assets

1. Development Bank of Southern Africa (DBSA)

The Municipality is suing DBSA for failure to comply with the terms of their initial tender proposal, in that they promised to reduce interest rate in the event the municipality puts security for the loan and also that they will assist the municipality with corporate social investment, which they failed or refused to do till date. There is no specific amount claimed, however the municipality intends to compel DBSA to do a specific performance as stated above.

Contingent liabilities

1. South African Municipal Workers Union

The South African Municipal Workers Union referred a matter to the Bargaining Council for three employees claiming unfair labour practice after the municipality declined to approve their travelling allowance applications. The matter is currently at the labour court where Ehlanzeni District Municipality is appealing the decision that the employees be given a travelling allowance, due to the nature of their day to day duties which does not qualify them to participate. The estimated amount to be paid is R 400,000.

2. Dumata Trading CC

This matter was inherited from the disestablished Bohlabela District Municipality and the plaintiff Dumata Trading CC is suing the municipality about R360 547 at the North Gauteng High Court for services rendered to Bohlabela. Pleadings have closed and plaintiff has to set the matter down for trial.

3. Joint Municipal Pension Fund

The Joint Municipal Pension Fund is suing the municipality for contributions on pension fund of a former employee of the Municipality and was their member but left in 2007 after he volunteered to retire following the transfer of the ambulance services from the municipality to the Department of Health.

The amount claimed in this matter is estimated at R765 779.32.

4. Employee related obligations

The South African Local Government Bargaining Council wage curve agreement signed in 2010 resulted in a contingent liability. The municipality has not yet performed job evaluations and therefore unable to implement the agreement. The extent of the contingent liability is therefore unknown and will be assessed in the next financial year.

28. Fruitless and wasteful expenditure

Opening balance	-	-
Current year	1 354	3 771
Condoned by Municipal Manager	(1 354)	(3 771)
	<u>-</u>	<u>-</u>

The fruitless and wasteful expenditure for the current year relates to interest paid. These expenses were condoned by the Municipal Manager.

29. Irregular expenditure

Opening balance	-	1 447 369
Less: Amounts written off by Council	-	(1 447 369)
	<u>-</u>	<u>-</u>

Audited
By
2016-11-30
Auditor General South Africa
56

Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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30. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Standby credit facilities in the form of an R20,000,000 bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

At 30 June 2016	Less than 1 year	Between 1 and 5 years
Long term borrowings	5 095 032	142 356 044
Payables from exchange transactions	34 394 858	-

At 30 June 2015	Less than 1 year	Between 1 and 5 years
Long term borrowings	13 208 732	161 526 805
Payables from exchange transactions	47 924 307	-

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, 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	2016	2015
Cash and cash equivalents	68 131 846	76 349 476
Non current investments	3 459 232	3 801 945
Current investments	549 675	523 095
Receivables from exchange transactions	226 972	393 520

Market risk

Interest rate risk

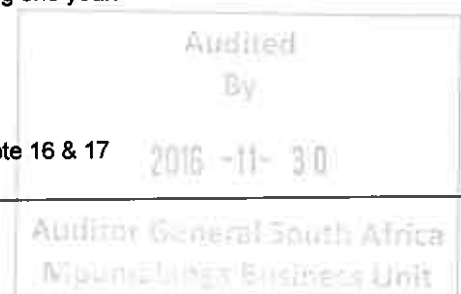
Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2016, Ehlanzeni District Municipality had only three fixed interest bearing loans with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in these three loans is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

31. Related parties

Relationships

Members of key management

See note 16 & 17



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
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32. Interest received

External investment	6 261 888	3 969 739
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33. Change in estimate

Property, plant and equipment

The estimated useful life of certain equipment was assessed during the current financial year. In the current financial year management have revised their estimated useful lives. The effect of this revision has increased the depreciation charges for the current and future periods by R 85,335.

34. Revenue

Other income	940 676	4 564 160
Rental of facilities and equipment	149 393	147 060
Interest received	6 261 888	3 969 739
Dividends received	119 348	109 605
Government grants & subsidies	224 402 000	212 630 721
	<u>231 873 305</u>	<u>221 421 285</u>

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

Other income	940 676	4 564 160
Rental of facilities and equipment	149 393	147 060
Interest received	6 261 888	3 969 739
Dividends received	119 348	109 605
	<u>7 471 305</u>	<u>8 790 564</u>

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

Taxation revenue		
Transfer revenue		
Government grants & subsidies	224 402 000	212 630 721

35. Comparative figures

Certain comparative figures have been reclassified.

Certain general expenditure subcategories have been reclassified to improve reporting.

Intangible assets was disclosed as Property, plant and equipment in prior periods.

The effects of the reclassification are as follows:

Statement of financial position

Property, plant and equipment	(1 359 891)
Intangible assets	1 359 891



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Comparative figures (continued)		
Statement of Financial Performance		
Depreciation	-	(437 431)
Amortisation	-	437 431
General expenses (Water)	-	(189 638)
General expenses (Rates and taxes)	-	(309 166)
General expenses (Consulting and professional fees)	-	(763 159)
General expenses (Legal fees)	-	763 159
General expenses (Other programs and campaigns)	-	1 911 525
General expenses (Other expenses)	-	(1 786 721)
General expenses (Bursaries)	-	374 000

36. Events after the reporting date

No events after the reporting date were identified by management that require adjustment to the balances at reporting date or additional disclosure.

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Membership fee - SALGA	1 078 897	966 374
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PAYE and UIF

Amount paid - current year	16 508 537	17 496 144
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Pension and Medical Aid Deductions

Amount paid - current year	22 408 102	21 699 178
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VAT

VAT received - current year	11 095 460	16 272 593
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Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

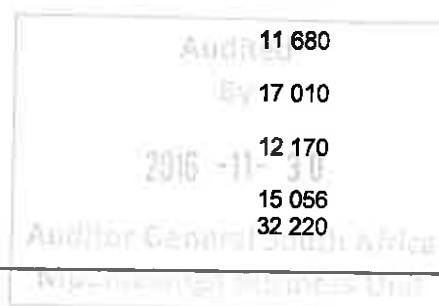
Figures in Rand

2016

2015

38. Deviations i.t.o section 36 of Supply Chain Management Policy

Name	Reason for deviation	Amount
CTP Limited t/a Lowveld Media	Impractical	15 764
CTP Limited t/a Lowveld Media	Impractical	8 340
CTP Limited t/a Lowveld Media	Impractical	4 682
CTP Limited t/a Lowveld Media	Impractical	21 596
CTP Limited t/a Lowveld Media	Impractical	4 488
CTP Limited t/a Lowveld Media	Impractical	17 366
CTP Limited t/a Lowveld Media	Impractical	5 558
CTP Limited t/a Lowveld Media	Impractical	7 780
CTP Limited t/a Lowveld Media	Impractical	22 296
CTP Limited t/a Lowveld Media	Impractical	10 907
CTP Limited t/a Lowveld Media	Impractical	6 812
CTP Limited t/a Lowveld Media	Impractical	5 874
CTP Limited t/a Lowveld Media	Impractical	4 945
CTP Limited t/a Lowveld Media	Impractical	3 918
CTP Limited t/a Lowveld Media	Impractical	23 055
CTP Limited t/a Lowveld Media	Impractical	9 590
CTP Limited t/a Lowveld Media	Impractical	17 666
CTP Limited t/a Lowveld Media	Impractical	4 016
CTP Limited t/a Lowveld Media	Impractical	4 642
CTP Limited t/a Lowveld Media	Impractical	3 918
CTP Limited t/a Lowveld Media	Impractical	4 162
CTP Limited t/a Lowveld Media	Impractical	3 195
CTP Limited t/a Lowveld Media	Impractical	22 246
CTP Limited t/a Lowveld Media	Impractical	4 370
CTP Limited t/a Lowveld Media	Impractical	8 863
CTP Limited t/a Lowveld Media	Impractical	8 948
CTP Limited t/a Lowveld Media	Impractical	14 535
CTP Limited t/a Lowveld Media	Impractical	19 000
CTP Limited t/a Lowveld Media	Impractical	7 041
CTP Limited t/a Lowveld Media	Impractical	2 809
CTP Limited t/a Lowveld Media	Impractical	7 083
CTP Limited t/a Lowveld Media	Impractical	4 578
CTP Limited t/a Lowveld Media	Impractical	6 784
CTP Limited t/a Lowveld Media	Impractical	8 704
Protel Business Systems (Pty) Ltd	Impractical	4 230
Kgomotso Bob Mabena	Impractical	55 000
Nkomazi FM	Impractical	20 970
Nkomazi FM	Impractical	13 485
Nkomazi FM	Impractical	9 000
South African Broadcasting Corporation (Pty) Ltd	Single supplier	18 960
Deloitte Consulting (Pty) Ltd	Impractical	72 000
Deloitte Consulting (Pty) Ltd	Impractical	2 280
South African Broadcasting Corporation (Pty) Ltd	Impractical	16 830
South African Broadcasting Corporation (Pty) Ltd	Impractical	1 800
Forest Far Twenty Two CC t/a Sasol Nelspruit	Impractical	13 000
Forest Far Twenty Two CC t/a Sasol Nelspruit	Impractical	13 000
Forest Far Twenty Two CC t/a Sasol Nelspruit	Impractical	11 680
Forest Far Twenty Two CC t/a Sasol Nelspruit	Impractical	17 010
Forest Far Twenty Two CC t/a Sasol Nelspruit	Impractical	12 170
Union Motors Nelspruit	Single supplier	15 056
Contact Media and Communications	Single supplier	32 220

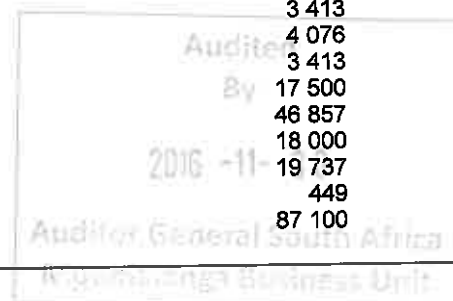


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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
38. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)		
Buscor	Single supplier	11 469
Payday Software Systems (Pty) Ltd	Single supplier	4 193
Payday Software Systems (Pty) Ltd	Single supplier	17 537
Payday Software Systems (Pty) Ltd	Single supplier	12 300
Payday Software Systems (Pty) Ltd	Single supplier	53 660
Payday Software Systems (Pty) Ltd	Single supplier	20 965
Payday Software Systems (Pty) Ltd	Single supplier	7 996
Earlyworx 282 (Pty) Ltd t/a FPSA	Single supplier	16 283
Cartrack North East (Pty) Ltd	Impractical	5 788
Cartrack North East (Pty) Ltd	Impractical	3 299
Hurd Rock Builders CC	Impractical	67 193
LVCC Running Club	Single supplier	154 050
Model Electric (Pty) Ltd	Emergency	4 315
Model Electric (Pty) Ltd	Emergency	496
Model Electric (Pty) Ltd	Emergency	998
Mpumalanga NCRF Hub NPC	Single supplier	47 825
Nikiwe Jannepher Mathebula	Impractical	2 500
Nikiwe Jannepher Mathebula	Impractical	2 500
Rosina Florence Mahlangu	Impractical	2 500
Rosina Florence Mahlangu	Impractical	2 500
Rosina Florence Mahlangu	Impractical	2 500
Mbuso Joseph Trading	Emergency	19 152
Mbuso Joseph Trading	Emergency	38 207
Mbuso Joseph Trading	Emergency	43 061
Swift Plumbing Group (Pty) Ltd	Emergency	790
Schlindler Lifts SA (Pty) Ltd	Single supplier	28 357
Wolters Kluwer Tax & Accounting Southern Africa	Single supplier	111 300
Wolters Kluwer Tax & Accounting Southern Africa	Single supplier	12 600
Ducharme Training Institute (Pty) Ltd	Single supplier	8 250
Mashishing Communications	Impractical	3 000
Mashishing Communications	Impractical	6 000
AC Braby (Pty) Ltd	Single supplier	7 531
Lenfik CC	Impractical	10 000
Cape Union Mart	Impractical	7 715
Van Beek Generators t/a Electro Generators	Emergency	10 981
Van Beek Generators t/a Electro Generators	Impractical	17 185
Van Beek Generators t/a Electro Generators	Emergency	24 907
Optron (Pty) Ltd	Impractical	168 252
Mandarina Trading 15 CC t/a Creative Solutions	Single supplier	87 719
Amphiphase	Impractical	33 995
Amphiphase	Impractical	8 190
Olwethu & Nomxolisi Investments (Pty) Ltd Twain 2	Emergency	115 500
Get It Fine Trading Enterprise (Pty) Ltd	Impractical	5 150
Get It Fine Trading Enterprise (Pty) Ltd	Impractical	5 100
Calcom Trading 215 (Pty) Ltd t/a ATTI	Impractical	59 900
Calcom Trading 215 (Pty) Ltd t/a ATTI	Impractical	49 500
Zanele Eunice Sibande	Impractical	43 420
Merck (Pty) Ltd	Impractical	2 500
Merck (Pty) Ltd	Single supplier	3 413
Merck (Pty) Ltd	Single supplier	4 076
Disaster Risk Management (Pty) Ltd t/a DMS	Single supplier	3 413
Aqualytic CC	Single supplier	17 500
Meida 24	Impractical	46 857
Elim Clinic Professional Treatment Center	Impractical	18 000
Kit Group	Impractical	19 737
IHS Information and Insight (Pty) Ltd	Impractical	449
		87 100



Ehlanzeni District Municipality

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Notes to the Annual Financial Statements

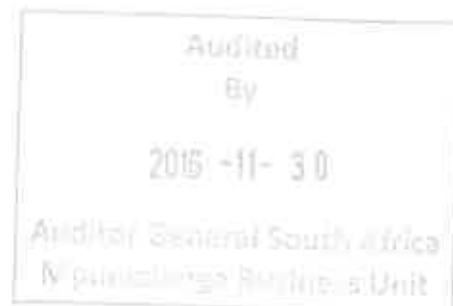
Figures in Rand

2016

2015

38. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

Psaros Communication CC	Impractical	7 101
Genesis Training and Development	Impractical	6 500
Simmadon Consulting	Impractical	8 763
Kruger Lowveld Chamber	Single supplier	66 000
Nomndeni Lodges	Impractical	65 001
ISAMOA	Impractical	5 000
TACT Business Development	Impractical	35 996
Childline Mpumalanga	Single supplier	170 000
Ilios Conferences (Pty) Ltd	Impractical	8 950
Ilios Conferences (Pty) Ltd	Impractical	17 900
Institute of Risk Management	Single supplier	9 200
Institute of Risk Management	Single supplier	7 000
Joshua West (Pty) Ltd	Impractical	15 998
Van Wettens Breakdown	Emergency	1 907
Simplex Business Solutions	Impractical	12 869
SITA	Single supplier	14 211
SITA	Single supplier	14 211
DMISA	Single supplier	41 100
CDP Africa	Impractical	31 996
Global Prospectus Training	Impractical	22 470
IMESA	Impractical	21 930
Simmadon Consulting & PR	Impractical	7 999
Geomatics Indaba 2015	Impractical	13 005
Swaziland International	Single supplier	44 211
l'langa Mall	Impractical	5 000
l'langa Mall	Impractical	5 000
		2 883 214



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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39. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

39.1 Interest Received

More interest received due to more cash on hand during the financial period.

39.2 Depreciation and amortisation

Depreciation variances due to the review of useful lives of assets as per GRAP 17 par 56.

39.3 Finance costs

Implementation of GRAP 25 - Actuarial valuations. Two of the DBSA loans were also settled by 30 June 2016.

39.4 Repairs and maintenance

Building is still fairly new and less repairs and maintenance required

39.5 General expenses

Savings as a result of cost curtailment measures implemented by council during the year under review.

39.6 Other receipts / payments

Receipts from local municipalities for projects done on their behalf.

39.7 Accumulated surplus

Surplus realised in the current year due to cost curtailment measures implemented.

39.8 Long term liabilities

During the financial year two DBSA loans were settled early.



Ehlanzeni District Municipality

Annual Financial Statements for the year ended 30 June 2016

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39.9 Property, plant and equipment

Certain Property plant and equipment was reclassified as Intangible assets.

39.10 Government grants & subsidies

Budgeted grants from Department of Water and Sanitation not received during the year resulting in less professional fees received.

39.11 Rental income

Less usage of the centre due to volatile market and competition.

39.12 Employee related costs

Cost curtailment - less appointments were made on budgeted new positions.

39.13 Debt impairment

Provision for bad debts raised at year end after assessment of debtors.

39.14 Grants and subsidies

Late appointments of contractors in the last quarter of the financial year resulting in roll overs of projects.

39.15 Investments

Decrease in the share price which resulted in a decrease of the fair value of investments

39.16 Receivables from exchange transactions

No VAT recovery project done during the year.



The following supplementary information does not form part of the annual financial statements and is unaudited.

Appendix A

Schedule of external loans as at 30 June 2016

	Balance at 30 June 2015	Received during the period	Redeemed / written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Rand	Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of Southern Africa						
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%	151 988 985	-	4 537 909	147 451 076	200 761 000	-
DBSA - 61000887 Maturity date: 31/12/2020 Interest calculated at 6.75%	12 809 373	-	12 809 373	-	-	-
DBSA - 61000885 Maturity date: 31/12/2016 Interest calculated at 11.43%	9 937 179	-	9 937 179	-	-	-
	174 735 537	-	27 284 461	147 451 076	200 761 000	-
Total external loans						
Development Bank of Southern Africa	174 735 537	-	27 284 461	147 451 076	200 761 000	-
	174 735 537	-	27 284 461	147 451 076	200 761 000	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings									
Land	8 103 054	-	-	8 103 054	-	-	-	-	8 103 054
Buildings	233 914 977	528 734	-	234 443 711	(28 043 262)	-	(5 639 149)	(33 882 411)	200 761 000
	242 017 731	528 734	-	242 546 465	(28 043 262)	-	(5 639 149)	(33 882 411)	208 864 064
Other assets									
Plant & equipment	2 815 490	26 415	(18 802)	2 823 103	(1 369 976)	15 183	(261 189)	(1 615 990)	1 007 113
Furniture & Fittings	9 445 314	30 112	(12 726)	9 462 701	(4 767 073)	7 857	(898 174)	(5 697 590)	3 765 111
Office Equipment	23 320 078	1 858 127	(576 675)	24 601 530	(19 024 243)	509 327	(1 738 528)	(20 253 444)	4 348 086
Motor vehicles	3 635 246	503 909	-	4 139 155	(2 367 028)	-	(343 388)	(2 710 416)	1 428 739
Bins and Containers	4 289	-	-	4 289	(3 960)	-	(110)	(4 070)	219
	39 020 417	2 419 563	(608 202)	40 830 778	(27 532 279)	532 167	(3 281 398)	(30 281 610)	10 549 268
Intangible assets									
Computer software	9 592 522	1 142 300	(754 295)	9 980 527	(6 232 631)	716 831	(676 165)	(8 191 965)	1 788 562
	9 592 522	1 142 300	(754 295)	9 980 527	(6 232 631)	716 831	(676 165)	(8 191 965)	1 788 562

Appendix C

**Segmental analysis of property, plant and equipment as at 30 June 2016
Accumulated Depreciation**

	Opening Balance		Additions		Disposals		Transfers		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Closing Balance		Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality																						
Chief Whip	136 722	-	-	5 819	142 541	(84 303)	-	(5 515)	(11 172)	(100 990)	(11 172)	(100 990)	-	(6 439 347)	(11 172)	(100 990)	(11 172)	(6 439 347)	(100 990)	(11 172)	41 551	211 437 431
Corporate Services	251 232 636	689 566	-	(96 662)	251 825 543	(34 043 587)	-	94 822	(6 439 347)	(40 388 112)	(6 439 347)	(40 388 112)	-	(787 758)	(6 439 347)	(40 388 112)	(787 758)	(6 439 347)	(40 388 112)	(787 758)	2 182 056	575 007
Disaster management	14 643 810	219 084	-	(28 897)	14 833 997	(11 905 225)	-	21 041	(438 206)	(1 205 937)	(438 206)	(1 205 937)	-	(672 393)	(438 206)	(1 205 937)	(672 393)	(438 206)	(1 205 937)	(672 393)	2 079 970	50 270
Executive Mayor	1 793 703	-	-	(12 758)	1 780 944	(1 077 375)	-	9 644	(612 675)	(130 771)	(612 675)	(130 771)	-	(16 321)	(612 675)	(130 771)	(16 321)	(612 675)	(130 771)	(16 321)	545 080	883 250
Finance and SCM	5 879 966	1 004 834	(579 552)	736 086	7 044 334	(4 189 716)	513 420	(2 572)	(574 478)	(130 771)	(574 478)	(130 771)	-	(236 601)	(574 478)	(130 771)	(236 601)	(574 478)	(130 771)	(236 601)	908 610	88 467
Internal Audit	175 375	-	-	5 866	181 041	(111 878)	-	60 076	(26 365)	(99 877)	(111 878)	(99 877)	-	(245 127)	(99 877)	(99 877)	(245 127)	(99 877)	(99 877)	(245 127)	170 113	97 043
LED and Tourism	1 016 813	177 244	-	(74 498)	1 119 559	(481 340)	-	163 035	(16 757)	(16 757)	(481 340)	(16 757)	-	(25 640)	(16 757)	(16 757)	(25 640)	(16 757)	(16 757)	(25 640)	373 475	
Municipal Health	1 802 252	489 947	-	(172 915)	2 119 284	(1 182 468)	-	202 073	(281 968)	(1 182 468)	(1 182 468)	(281 968)	-	(104 403)	(1 182 468)	(104 403)	(104 403)	(104 403)	(104 403)	(104 403)	219 413 322	
Municipal Manager	2 550 193	174 064	(18 420)	(264 520)	2 441 317	(1 489 579)	16 757	23 911	(25 640)	(1 489 579)	(1 489 579)	(25 640)	-	(8 920 547)	(1 489 579)	(8 920 547)	(8 920 547)	(8 920 547)	(8 920 547)	(8 920 547)		
Rural Development	184 060	16 400	-	(21 018)	189 444	(74 716)	-	1 124	(47 148)	(245 127)	(74 716)	(245 127)	-	(63 963 922)	(47 148)	(245 127)	(63 963 922)	(63 963 922)	(63 963 922)	(63 963 922)		
Social and Transversal Issues	434 209	15 887	-	(34 856)	415 240	(221 890)	-	4 392	(104 403)	(221 890)	(221 890)	(104 403)	-		(104 403)	(104 403)						
Speaker	242 759	7 110	-	(6 103)	243 766	(125 475)	-	40 644	(607 989)	(607 989)	(125 475)	(607 989)	-		(607 989)	(607 989)						
Technical Services	935 646	153 161	(10 228)	(38 345)	1 049 234	(607 989)	1 989	-	(8 920 547)	(63 963 922)	(8 920 547)	(63 963 922)	-		(63 963 922)	(63 963 922)						
	281 038 147	2 947 297	(808 200)	-	283 377 244	(55 678 541)	532 188	-	(8 920 547)	(63 963 922)	(8 920 547)	(63 963 922)	-		(63 963 922)	(63 963 922)						

Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2016

Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
-	6 250 828	(6 250 828)	-	7 103 919	(7 103 919)
-	3 478 086	(3 478 086)	-	4 050 080	(4 050 080)
-	13 636 399	(13 636 399)	-	14 113 528	(14 113 528)
-	6 311 648	(6 311 648)	-	7 692 533	(7 692 533)
-	16 198 159	(16 198 159)	-	18 632 464	(18 632 464)
221 421 285	81 657 565	139 763 720	231 873 305	79 146 801	152 726 504
-	23 934 852	(23 934 852)	-	25 600 297	(25 600 297)
-	4 515 117	(4 515 117)	-	5 877 698	(5 877 698)
-	9 766 134	(9 766 134)	-	10 547 476	(10 547 476)
-	892 079	(892 079)	-	755 956	(755 956)
-	2 554 396	(2 554 396)	-	2 611 587	(2 611 587)
-	7 591 741	(7 591 741)	-	8 056 447	(8 056 447)
-	8 656 823	(8 656 823)	-	14 410 002	(14 410 002)
-	9 750 956	(9 750 956)	-	9 736 356	(9 736 356)
221 421 285	195 194 783	26 226 502	231 873 305	208 335 124	23 538 181

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Other income	940 676	1 450 000	(509 324)	(35,1)	Refer to note 39
Rental of facilities and equipment	149 393	366 180	(216 787)	(59,2)	Refer to note 39
Interest received	6 261 888	4 800 000	1 461 888	30,5	Refer to note 39
Dividends received	119 348	130 000	(10 652)	(8,2)	
Government grants & subsidies	224 402 000	223 682 000	720 000	0,3	
	<u>231 873 305</u>	<u>230 428 180</u>	<u>1 445 125</u>	<u>0,6</u>	
Expenses					
Employee related cost	(98 673 434)	(103 307 724)	4 634 290	(4,5)	
Remuneration of councillors	(14 491 274)	(15 881 611)	1 390 337	(8,8)	
Audit fees	(3 103 217)	(3 145 933)	42 716	(1,4)	
Depreciation	(9 596 712)	(12 500 000)	2 903 288	(23,2)	Refer to note 39
Finance costs	(20 817 178)	(20 056 420)	(760 758)	3,8	
Debt impairment	(259 551)	-	(259 551)	-	
Repairs and maintenance	(40 085)	(365 594)	325 509	(89,0)	Refer to note 39
Contracted services	(2 574 233)	(3 353 600)	779 367	(23,2)	
Grants and subsidies paid	(16 566 968)	(25 747 686)	9 180 718	(35,7)	Refer to note 39
General expenses	(41 532 339)	(48 819 612)	7 287 273	(14,9)	Refer to note 39
	<u>(207 654 991)</u>	<u>(233 178 180)</u>	<u>25 523 189</u>	<u>(10,9)</u>	
Other revenue and costs					
Fair value adjustments	(87 419)	-	(87 419)	-	Refer to note 39
Income from equity accounted investments	(342 714)	-	(342 714)	-	Refer to note 39
Gain or loss on disposal of non-current assets held for sale or disposal groups	(250 000)	-	(250 000)	-	Refer to note 39
	<u>(680 133)</u>	<u>-</u>	<u>(680 133)</u>	<u>-</u>	
Net surplus/ (deficit) for the year	<u>23 538 181</u>	<u>(2 750 000)</u>	<u>26 288 181</u>	<u>(955,9)</u>	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2016

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Chief Whip	-	-	-	-	
Corporate Services	689 566	700 000	10 434	1	
Disaster Management	219 084	230 000	10 916	5	
Executive Mayor	-	-	-	-	
Finance & SCM	1 004 834	1 000 000	(4 834)	-	
Internal Audit	-	-	-	-	
LED & Tourism	177 244	180 000	2 756	2	
Municipal Health	489 947	500 000	10 053	2	
Municipal Manager	174 064	180 000	5 936	3	
Planning Department	-	-	-	-	
Rural Development	16 400	17 000	600	4	
Social & Transversial Issues	15 887	16 000	113	1	
Speaker	7 110	7 500	390	5	
Technical Services	153 161	155 000	1 839	1	
Mayoral Committee	-	-	-	-	
	-	-	-	-	
	2 947 297	2 985 500	38 203	1	

