DR RUTH S MOMPATI DISTRICT MUNICIPALITY
DRAFT ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

General Information

Legal form of entity	District Municipality
Mayoral committee	
Executive Mayor	CE Tladinyane
Councillors	Cllr C.E. Tladinyane: Directly Elected - Kagisano/Molopo
	Cllr N.W. Skalk: Directly Elected - Naledi
	Cllr S.F. Kgodumo: Directly Elected - Naledi
	Cllr J.G. Brand: Directly Elected Naledi
	Cllr M.K. Mojanaga: Directly Elected - Greater-Taung
	Cllr M.S. Moyake: Directly Elected - Mamusa
	Cllr K.G. Sereko: Directly Elected - Greater-Taung
	Cllr P.W. Kgosieng: Directly Elected - Greater-Taung
	Cllr M.S. Montshioagae: Directly Elected - Greater-Taung
	Cllr M.G. Tong: Directly Elected - Kagisano/Molopo
	Cllr K.V. Mokhuane: Directly Elected - Kagisano/Molopo
	Cllr L.E. Gaobepe-Boeme: Directly Elected - Kagisano
	Cllr M.J. Nchochoba: Naledi Local Municipality
	Cllr. D. Van Tonder: Naledi Local Municipality
	Cllr L.D. Motlapele: Mamusa Local Municipality
	Cllr C.P. Herbst: Mamusa Local Municipality
	Cllr K.G.N. Palagangwe: Lekwa-Teemane Local Municipality
	Cllr I.M. Snyman: Lekwa-Teemane Local Municipality
	Cllr A.J. Adonis: Naledi Local Municipality
	Cllr L.C. Loabile: Kagisano/Molopo Local Municipality
	Cllr K.D. Baepi: Kagisano/Molopo Local Municipality
	Cllr G.K. Nthebotsenyane: Kagisano/Molopo Local Municipality
	Cllr M.P. Letebele: Kagisano/Molopo Local Municipality
	Cllr. G Toba: Kagisano/Molopo Local Municipality
	Cllr M.P. Ditshakane: Greater-Taung Local Municipality
	Cllr K.P. Molifi: Greater-Taung Local Municipality
	Cllr J.L. Halenyane: Greater-Taung Local Municipality
	Cllr M.S. Kanyane: Greater-Taung Local Municipality
	Cllr R. Mokoto: Greater-Taung Local Municipality
	Cllr O.V. Mongale: Greater-Taung Local Municipality
	Cllr. JB Moncho: Greater-Taung Local Municipality
	Kgosi N.C. Motlhabane: Ba ga Maidi - Taung

General Information

Accounting Officer	Mr Z E L Tshetlho Contact information: (053) 928 4713 082 550 9663 tshetloz@bophirima.co.za
Chief Finance Officer (CFO)	Ms Segomotso Phatudi Contact Information (053) 928 4702 phatudis@bophirima.co.za
Nature of business and principal activities	District Municipality
Business address	50 Market Street Vryburg 8600
Postal address	PO Box 21 Vryburg 8600 053 928 4700
Bankers	First National Bank
Auditors	Auditor General of South Africa

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

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 draft annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the draft 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 draft annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the 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 draft 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 independently reviewing and reporting on the municipality's draft annual financial statements. The draft annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The draft annual financial statements set out on pages 6 to 55, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

ACCOUNTING OFFICER
Mr Z.E.L. TSHETLHO

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the draft annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review.

Evaluation of draft annual financial statements

The Audit Committee has:

- reviewed and discussed the audited draft annual financial statements to be included in the annual report, with the Auditor-General and;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed the entities compliance with legal and regulatory provisions;

The Audit Committee concur with and accept the Auditor-General of South Africa's report the draft annual financial statements, and are of the opinion that the audited draft annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality is engaged in district municipality and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached draft annual financial statements and do not in our opinion require any further comment.

2. Going concern

The draft annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

After the Local Government Elections that were held on the 3rd of August 2016, new leadership was elected for the municipality.

4. Accounting Officer's interest in contracts

The accounting officer does not have any interest in any contract concerning Dr Ruth S Mompati Municipality.

5. Accounting policies

The Draft Annual Financial Statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no details of major changes in the nature of the non-current assets of the municipality during the year.

7. Bankers

The bankers of Dr Ruth S Mompati District Municipality is First National Bank (FNB).

8. Auditors

The Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	2	9 869 975	13 599 228
Prepayments		11 400 000	-
VAT Receivables		43 873 468	67 838 604
Cash and cash equivalents	3	45 669 861	53 720 686
		110 813 304	**135 158 518**
Non-Current Assets			
Investment property	4	3 940 000	3 800 000
Property, plant and equipment	5	1 963 262 451	1 817 453 492
Intangible assets	6	964 705	1 060 696
		1 968 167 156	**1 822 314 188**
Total Assets		**2 078 980 460**	**1 957 472 706**
Liabilities			
Current Liabilities			
DBSA Loan		10 800 000	7 200 000
Operating Lease Liabilty		271 612	85 821
Deposits		404 353	404 353
Payables from exchange transactions	7	145 116 419	98 441 733
Unspent conditional grants and receipts	8	3 555 473	34 521 391
		160 147 857	**140 653 298**
Non-Current Liabilities			
DBSA Loan		65 633 888	76 433 888
Provisions	9	42 960 869	35 557 962
		108 594 757	**111 991 850**
Total Liabilities		**268 742 614**	**252 645 148**
Net Assets		**1 810 237 846**	**1 704 827 558**
Reserves		7 725 632	7 725 632
Accumulated surplus		1 802 512 214	1 697 101 926
Total Net Assets		**1 810 237 846**	**1 704 827 558**

* See Note 29

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Other income		256 438	346 778
Rental of facilities and equipment		784 547	733 331
Interest earned - external investment		6 642 773	5 024 564
Total revenue from exchange transactions		**7 683 758**	**6 104 673**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	10	516 236 158	474 779 263
Total revenue	11	**523 919 916**	**480 883 936**
Expenditure			
Employee related costs	12	(102 139 847)	(96 786 964)
Remuneration of councillors	13	(6 178 091)	(5 874 526)
Depreciation and amortisation	14	(37 180 944)	(35 847 679)
Finance costs		(2 862 000)	(21 200 035)
Debt Impairment		(12 653 575)	-
Repairs and maintenance		(1 710 324)	(5 740 065)
Bulk purchases	15	(134 363 874)	(61 573 218)
Contracted services		(32 821 060)	(20 063 262)
Grants and subsidies paid	16	(53 163 087)	(103 775 469)
General Expenses	17	(29 552 481)	(30 152 864)
Total expenditure		**(412 625 283)**	**(381 014 082)**
Operating surplus		**111 294 633**	**99 869 854**
Loss on disposal of assets and liabilities		(626 401)	(9 656 851)
Fair value adjustments	18	392 468	115 900
Actuarial gains/losses		(2 092 233)	107 569
		(2 326 166)	**(9 433 382)**
Surplus for the year		**108 968 467**	**90 436 472**

* See Note 29

Statement of Changes in Net Assets

Figures in Rand	Revaluation Reserve	Accumulated surplus	Total net assets
Balance at 1 July 2014	**7 725 632**	**1 606 665 454**	**1 614 391 086**
Changes in net assets			
Surplus for the year	-	90 436 472	90 436 472
Total changes	7 725 632	90 436 472	98 162 104
Restated* Balance at 1 July 2015	**7 725 632**	**1 693 543 747**	**1 701 269 379**
Changes in net assets			
Surplus for the year	-	108 968 467	108 968 467
Total changes	-	108 968 467	108 968 467
Balance at 30 June 2016	**7 725 632**	**1 802 512 214**	**1 810 237 846**

* See Note 29

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		566 973 913	550 146 942
Interest received		6 642 773	5 024 564
		573 616 686	555 171 506
Payments			
Cash paid to suppliers and employees		(396 439 711)	(361 294 052)
Net cash flows from operating activities	19	**177 176 975**	**193 877 454**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(178 027 800)	(196 945 090)
Purchase of other intangible assets	6	-	(7 952)
Net cash flows from investing activities		**(178 027 800)**	**(196 953 042)**
Cash flows from financing activities			
Repayment of DBSA Loan		(7 200 000)	(1 200 000)
Net increase/(decrease) in cash and cash equivalents		**(8 050 825)**	**(4 275 588)**
Cash and cash equivalents at the beginning of the year		53 720 686	57 996 274
Cash and cash equivalents at the end of the year	3	**45 669 861**	**53 720 686**

* See Note 29

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	37 227 413	34 901 494	**72 128 907**	256 438	**(71 872 469)**	99.64%
Rental of facilities and equipment	-	-	**-**	784 547	**784 547**	100.00%
Interest received - investment	2 950 000	3 692 773	**6 642 773**	6 642 773	**-**	0%
Total revenue from exchange transactions	**40 177 413**	**38 594 267**	**78 771 680**	**7 683 758**	**(71 087 922)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	528 071 943	(27 682 942)	**500 389 001**	516 236 158	**15 847 157**	-3.17%
Total revenue	**568 249 356**	**10 911 325**	**579 160 681**	**523 919 916**	**(55 240 765)**	
Expenditure						
Employee related costs	(91 180 286)	(10 950 958)	**(102 131 244)**	(102 139 847)	**(8 603)**	-0.01%
Remuneration of councillors	(6 228 279)	(90 827)	**(6 319 106)**	(6 178 091)	**141 015**	2.23%
Depreciation and amortisation	(50 193 000)	13 654 050	**(36 538 950)**	(37 180 944)	**(641 994)**	-1.76%
Finance costs	(10 911 000)	10 861 000	**(50 000)**	(2 862 000)	**(2 812 000)**	-5624.00%
VAT Impairment	(320 000)	220 000	**(100 000)**	(12 653 575)	**(12 553 575)**	-12553.58%
Repairs and maintenance	(1 198 500)	(575 485)	**(1 773 985)**	(1 710 324)	**63 661**	3.59%
Bulk purchases	(100 800 000)	(9 200 000)	**(110 000 000)**	(134 363 874)	**(24 363 874)**	22.15%
Contracted Services	(13 680 477)	(23 261 631)	**(36 942 108)**	(32 821 060)	**4 121 048**	11.16%
Transfers and Subsidies	(43 350 000)	(12 148 158)	**(55 498 158)**	(53 163 087)	**2 335 071**	4.21%
General Expenses	(30 956 469)	3 158 975	**(27 797 494)**	(29 552 481)	**(1 754 987)**	-6.31%
Total expenditure	**(348 818 011)**	**(28 333 034)**	**(377 151 045)**	**(412 625 283)**	**(35 474 238)**	
Operating surplus	**219 431 345**	**(17 421 709)**	**202 009 636**	**111 294 633**	**(90 715 003)**	
Loss on disposal of assets and liabilities	-	-	**-**	(626 401)	**(626 401)**	-100.00%
Fair value adjustments	-	-	**-**	392 468	**392 468**	-100%
Actuarial gains/losses	-	-	**-**	(2 092 233)	**(2 092 233)**	-100%
	-	**-**	**-**	**(2 326 166)**	**(2 326 166)**	
Surplus before taxation	**219 431 345**	**(17 421 709)**	**202 009 636**	**108 968 467**	**(93 041 169)**	
	219 431 345	**(17 421 709)**	**202 009 636**	**108 968 467**	**(93 041 169)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance

The accounting policies on pages 13 to 34 and the notes on pages 35 to 55 form an integral part of the draft annual financial statements.

The following is a list of the significant exceptions (more than 10% variance) noted from the budget and actual comparison:

Other Income - VAT refund was budgeted for under other income instead of under debtors to reflect the income receivable from SARS

Rental of facilities and equipment - budgeted for as the lessee had indicated that they would possibly be suspending the contract in the 2015/16 year end.

Finance costs - This is due to the interest on Acturial Valuations for Medical Aid and Long Service Awards Provisions that was not anticipated.

VAT Impairment - These are long outstanding receivables from SARS that are not recoverable.

Bulk Purchases- Sedibeng Water accruals

Contracted Services - Insufficient budgeting

Loss on disposal of assets and liabilities - These are accounting entries that could not be budgeted for as they could not be anticipated.

Fair value adjustments - These are accounting entries that could not be budgeted for as they could not be anticipated.

Acturial gains/losses - This is due to the on Acturial Valuations calculation for Medical Aid and Long Service Awards Provisions that was not anticipated.

Accounting Policies

1. Presentation of Draft Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

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 9 - Provisions.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Allowance for doubtful debts

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

VAT

The municipality accounts fr Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a bi-monthly basis.

1.3 Investment property

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

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

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Infrastructure		
• Earthworks	Straight line	88 years
• Pipes - Clay	Straight line	80 years
• Pipes - Concrete	Straight line	80 years
Official vehicles	Depreciation is calculated as the difference between the opening carrying amount and the revalued amount (average of trade and retail values) at year end	Annually
Machinery and equipment	Straight line	7 years
Office equipment	Straight line	5 years
Office furniture	Straight line	7 years
Computer equipment	Straight line	5 years

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

1.5 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

1.5 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software	5 years

1.6 Financial instruments

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

A financial asset is:

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

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

1.6 Investments in associates (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Classification

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

Class	Category
Receivables	Financial asset measured at amortised cost
Bank Balances	Financial asset measured at amortised cost

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

Class	Category
Trade Payables	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.6 Investments in associates (continued)

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

1.6 Investments in associates (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.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.6 Investments in associates (continued)

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 :
  - derecognise the asset; and
  - recognise 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.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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.

Accounting Policies

1.6 Investments in associates (continued)

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).

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

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

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

The municipality assess 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.

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

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

1.9 Employee benefits

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

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

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

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

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

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

1.9 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity 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 entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity 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 entity 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 municipality provides post-employment benefits for one or more employees.

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

1.9 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

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

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 entity; or
- the assets are returned to the reporting entity 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 entity 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 entity 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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity'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.

1.9 Employee benefits (continued)

The entity 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 draft annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity 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 entity 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, an entity 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, an entity 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 entity 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 entity 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).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.10 Provisions

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

Accounting Policies

1.10 Provisions (continued)

A constructive obligation to restructure arises only when an entity:
- 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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.11 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.12 Revenue from exchange transactions

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

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

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.

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

1.13 Revenue from non-exchange transactions (continued)

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

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.

Donations

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.

1.14 Expenditure

Expenditure shall be recognised when it occurs and in the period in which the expense relates and not only when payment is made.

1.15 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.

1.16 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.

1.17 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 economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Related parties

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

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

Accounting Policies

1.18 Related parties (continued)

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.

Notes to the Draft Annual Financial Statements

Figures in Rand	2016	2015

2. Receivables from non-exchange transactions

Consumer debtors	2 239	1 239
Employee debtors	835 250	406 928
Government grants and subsidies	7 527 997	12 245 884
Other debtors	3 390 985	2 502 635
Less: Provision for impairment and receivables	(1 886 496)	(1 557 458)
	9 869 975	**13 599 228**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 200	1 200
Bank balances (Primary Bank Account)	11 703 073	3 539 388
Short-term deposits	33 965 588	50 180 098
	45 669 861	**53 720 686**

The municipality had the following bank accounts

Account number / description	**Bank statement balances 30 June 2016**	**Bank statement balances 30 June 2015**
FNB - Account Type - Cheque Account (Primary Bank Account)	11 703 073	3 539 388
FNB - Account Type - 6 Months Fixed Account	4 500 000	4 528 717
FNB - Account Type - Call Account	264 781	12 767 851
FNB - Account Type - Call Account	8 384	8 387
FNB - Account Type - Call Account	417 759	10 999 711
FNB - Account Type - Call Account	995 789	969 486
FNB - Account Type - Call Account	307 793	2 614 952
FNB - Account Type - Call Account	677 839	126 102
FNB - Account Type - Call Account	-	332 178
FNB - Account Type - Call Account	38 750	37 726
FNB - Account Type - Call Account	1 325	1 290
FNB - Account Type - Call Account	429 431	418 088
FNB - Account Type - Call Account	2 415 326	2 351 528
FNB - Account Type - Call Account	2 696 542	2 625 316
FNB - Account Type - Call Account	38 687	37 665
FNB - Account Type - Call Account	2 681 544	4 436
FNB - Account Type - Call Account	181 147	347 462
FNB - Account Type - Call Account	2 333 692	2 624 100
FNB - Account Type - Call Account	1 955	7 768
FNB - Account Type - Call Account	309 048	1 883 122
FNB - Account Type - Call Account	3 457 377	573 153
FNB - Account Type - Call Account	10 570 178	2 720 941
FNB - Account Type - Call Account	1 638 241	4 200 119
Total	**45 668 661**	**53 719 486**

4. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	3 940 000	-	3 940 000	3 800 000	-	3 800 000

Figures in Rand	2016	2015

4. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	3 800 000	140 000	3 940 000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	3 813 000	(13 000)	3 800 000

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

5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	14 885 610	-	14 885 610	14 633 142	-	14 633 142
Machinery and equipment	3 511 612	(1 717 419)	1 794 193	3 647 350	(1 416 836)	2 230 514
Office furniture	1 910 856	(1 254 860)	655 996	1 954 629	(1 098 085)	856 544
Official vehicles	21 560 169	(13 037 209)	8 522 960	21 093 843	(10 502 685)	10 591 158
Office equipment	935 292	(631 937)	303 355	831 826	(483 115)	348 711
Computer equipment	5 366 378	(3 108 042)	2 258 336	4 491 794	(2 286 379)	2 205 415
Infrastructure	1 720 671 014	(210 620 447)	1 510 050 567	1 709 646 811	(178 117 313)	1 531 529 498
Work in progress	424 791 434	-	424 791 434	255 058 510	-	255 058 510
Total	**2 193 632 365**	**(230 369 914)**	**1 963 262 451**	**2 011 357 905**	**(193 904 413)**	**1 817 453 492**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Transferred to expenditure	Depreciation	Write - Offs	Total
Land	14 633 142	-	-	-	252 468	-	-	-	14 885 610
Plant and machinery	2 230 514	-	-	-	-	-	(431 477)	(4 844)	1 794 193
Office furniture	856 544	25 862	-	-	-	-	(223 324)	(3 086)	655 996
Official vehicles	10 591 158	466 326	-	-	-	-	(2 534 524)	-	8 522 960
Office equipment	348 711	103 466	-	-	-	-	(148 822)	-	303 355
Computer equipment	2 205 415	993 415	(24 631)	-	-	-	(904 896)	(10 967)	2 258 336
Infrastructure	1 531 529 498	-	(600 144)	12 047 286	-	-	(32 926 073)	-	1 510 050 567
Work in progress	255 058 510	192 947 122	-	(12 047 286)	-	(11 166 912)	-	-	424 791 434
	1 817 453 492	**194 536 191**	**(624 775)**	**-**	**252 468**	**(11 166 912)**	**(37 169 116)**	**(18 897)**	**1 963 262 451**

Notes to the Draft Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Transferred to expenditure	Depreciation	Write - Offs	Total
Land	14 143 094	-	-	361 148	-	128 900	-	-	-	14 633 142
Plant and machinery	1 846 703	723 700	-	-	-	-	-	(339 889)	-	2 230 514
Office furniture	1 043 726	41 406	-	-	-	-	-	(223 244)	(5 344)	856 544
Official vehicles	13 309 796	-	(124 121)	-	-	-	-	(2 594 517)	-	10 591 158
Office equipment	464 428	22 988	-	-	-	-	-	(138 205)	(500)	348 711
Computer equipment	2 298 700	755 541	(29 399)	-	-	-	-	(786 679)	(32 748)	2 205 415
Infrastructure	1 487 884 873	-	(9 464 728)	-	83 993 416	-	-	(30 884 063)	-	1 531 529 498
Work in progress	264 054 899	147 038 752	-	-	(83 993 416)	-	(72 041 725)	-	-	255 058 510
	1 785 046 219	**148 582 387**	**(9 618 248)**	**361 148**	**-**	**128 900**	**(72 041 725)**	**(34 966 597)**	**(38 592)**	**1 817 453 492**

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

6. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Other intangible assets	1 178 643	(213 938)	964 705	1 178 643	(117 947)	1 060 696

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Other intangible assets	1 060 696	(95 991)	964 705

6. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Other intangible assets	1 147 156	7 952	(94 412)	1 060 696

7. Payables from exchange transactions

	2016	2015
Trade payables	123 497 853	76 970 143
Retention	14 749 430	14 139 875
Staff leave	4 473 277	5 002 034
Other Creditors	2 395 859	2 329 681
	145 116 419	**98 441 733**

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2016	2015
Unspent conditional grants and receipts		
Rural transport service and infrastructure grant	-	312 815
Transition grant: IMMIS	34 030	34 030
Rural household infrastructure grant	418	1 043 998
Department of Sport	897 237	897 237
Financial Management Grant	-	378 568
Rural Sanitation Programme	35 039	35 039
Vuna awards - Conditional Grant	710	710
MIG Conditional Grant	-	25 920 827
Water Services Operating Grant	-	3 334 430
Fire and Emergency Grant	2 415 163	2 415 163
LG SETA - Grant	99 502	-
Municipal Systems Improvement Grant	-	75 200
Deployment of Engineers Grant	47 160	47 160
Disaster Management Fund	26 214	26 214
	3 555 473	**34 521 391**

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

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

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

9. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Long service awards contributions	4 096 000	462 000	(213 848)	367 848	4 712 000
Continued employee service contributions	27 621 000	1 911 000	(1 216 218)	4 666 218	32 982 000
Performance bonus provision	3 840 962	1 425 907	-	-	5 266 869
	35 557 962	**3 798 907**	**(1 430 066)**	**5 034 066**	**42 960 869**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Long service awards contributions	3 332 599	743 000	(454 000)	474 401	4 096 000
Continued employee service contributions	20 494 000	3 790 000	(1 043 000)	4 380 000	27 621 000
Performance bonus provision	2 536 812	1 304 150	-	-	3 840 962
	26 363 411	**5 837 150**	**(1 497 000)**	**4 854 401**	**35 557 962**

9. Provisions (continued)

Employee benefit cost provision

BACKGROUND

One Pangaea Financial ('OPF') performed the actuarial valuation of Dr Ruth Segomotsi Mompatis Municipality's post employment health care liability at 30 June 2016 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP25) of the Accounting Standards Board (ASB) Directive 5.

This investigation is for financial reporting and is addressed only to the management of Dr Ruth Segomotsi Mompati Municipality. it is addressed neither to the members nor the trustees of any medical scheme. This report is confidential to the party to whom it is addressed..

PRIMARY OBJECTIVE

The primary objective of this investigation is to quantify the present value of post employment healthcare liabilities in terms of GRAP 25 for employees:

a) Current continuation retirees; and
b) Future continuation retirees emanating from the current active and inactive medical scheme members employed by Dr Ruth Segomotsi Mompatis Municipality.

An expense for the 2015/16 financial year will be derived and a projected expense for the following year will be calculated for budget purposes.

NATURE OF THE LIABILITY

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post--employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The liability generated by the obligation to subsidise medical contribution in retirement, for qualifying retirees and their eligible dependants, is classified as a defined benefit liability in terms of GRAP 25

Dr Ruth Segomotsi Mompati is committed to pay subsidiaries broadly as follows

a) Between 40% and 60% to current employees;
b) 70% to current continuation retirees
c) Widow (er)s and orphans of current employees are entitled to continue at 70%, the subsidy upon death of the pensioner.

The subsidy percentages were provided to us by Dr Ruth Segomotsi Mompati and are not verifiable.

9. Provisions (continued)

LIABILITIES

BALANCE SHEET ACCRUED LIABILITY

	30 June 2015 R 000s	30 June 2016 R 000s	30 June 2017 R 000s
Active employees	13 614	16 429	19 910
Continuation pensioners	14 007	15 833	16 544
Employers adjusted closing accrued liability	27 621	32 262	36 454

FUNDING LEVEL

	30 June 2015 R 000s	30 June 2016 R 000s	30 June 2017 R 000s
Employer's accrued liability	27 621	32 262	36 454
Fair value of plan assets			
Funded status at valuation date	27 621	32 262	36 454

The actual expense for the 2015/16 financial year together with the projected expense for the 2016/17 financial year is as follows:

	30 June 2016 Actual R 000s	30 June 2017 Projected R 000s
Service cost	1 911	1 950
Interest cost	2 521	3 015
Actuarial (gain)/loss recognised	1 367	-
Annual expense	5 799	4 965
benefits paid	(1 158)	(773)
Change in Net Liability	4 641	4 192

PROJECTED INCREASE IN ACCRUED LIABILITY

The projected increase in the accrued liability for the 2016/17 financial year is as follows:

	R000s
Projected expense 2016/17 excluding actuarial (gains)/losses	4 432
Expected benefit payments for the 2016/17 period	(1 158)
Projected increase in accrued liability in the 2016/17 year	3 274
Accrued liability as at 30 June 2016	
Projected accrued liability as at 30 June 2017	30 895

9. Provisions (continued)

ANALYSIS OF RESULTS

The analysis of the change in results is strong verification of the reasonability of the results and gives an indication of the relevant effect of the different assumptions on the liability.

	30 June 2016
Accrued liability as at 30 June 2015	**27 621**
Service costs	1 911
Interest costs	2 521
Expected benefits payments	(1 158)
Expected accrued liability as at 30 June 2016	30 895
1. Discount rate changes	33
2. Changes to participants	696
3.Effect of medical inflation	(6)
4. Miscellaneous	644
Accrued liability as at 30 June 2016	32 262

Notes:

1. The change in the net discount rate during the valuation period resulted in an increase to the accrued liability.

2. Changes to the participants to the post employment medical subsidy benefit resulted in an increase in the liability of R 696 000.

3. The medical inflation assumption in the prior year valuation period was higher than the actual increases in the medical contributions. This decreased the liability.

4. The miscellaneous items in the data resulted in an increase to the liability by R 644 000. Factors that make up the miscellaneous items are changes to membership composition, data changes, and variation from demographic assumptions (i.e. rates of withdrawal).

DISCOUNT RATE

The effect of a one percent increase and decrease in the net discount rates is as follows:

	1% decrease R 000s	30 June 2016 Valuation basis R 000s	1% increase R 000s
Employer's accrued liability	38 325	32 262	27 575
Service cost	2 485	1 950	1 552
Interest cost	3 206	3 015	2 847

As per the table above, a 1% increase in the net discount rate result in a 14.53% decrease in the accrued liability whilst a 1% decrease in the decrease in the discount rate will result in an 18.79% increase in the liability.

MORTALITY

The table that follows shows the impact of a change in the mortality assumption from SA85-90 with a two year adjustment.

	30 June 2016 Valuation basis SA85-90 R 000s	SA85-90-2* R 000s

Notes to the Draft Annual Financial Statements

Figures in Rand	2016	2015

9. Provisions (continued)

Employer's accrued liability	32 262	33 542
Service cost	1 950	2 018
Interest cost	3 015	3 137

*SA85-90 -2(with a two year age adjustment) means that to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlightsthe effects of a two year adjustment to the mortality assumption as at 30 June 2016. The adjustment would result in a 3.97% increase in the accrued
liabilit
The accrued liability is R 32 262 000 as at 30 June 2016.

The net expense for the 2015/16 financial year was R 5 799 000. The projected net expense for the 2016/17 financial year is R 4 965 000.

The net valuation should be undertaken with an effective date of 30 June 2017 reporting of the 2016/17 expense.

10. Government grants and subsidies

	2016	2015
Operating grants		
Equitable share	260 499 838	223 475 000
MSIG	930 000	876 624
EPWP Incentive	2 262 000	2 046 681
LG Seta	3 046	1 354 999
FMG	1 250 000	1 075 229
Disaster Management Fund	-	5 545 786
	264 944 884	**234 374 319**
Capital grants		
MIG	148 575 000	177 734 173
DWAF	45 126 692	34 411 239
Rural Transport	2 231 000	3 883 208
MWIG	30 000 000	12 805 809
RHIG	4 499 582	3 947 359
DWA Refurbishment	9 737 000	6 665 570
ACIP	11 122 000	-
PIG	-	957 586
	251 291 274	**240 404 944**
	516 236 158	**474 779 263**

11. Revenue

	2016	2015
Other income	256 438	346 778
Rental of facilities and equipment	784 547	733 331
Interest received - external investment	6 642 773	5 024 564
Government grants & subsidies	516 236 158	474 779 263
	523 919 916	**480 883 936**

Notes to the Draft Annual Financial Statements

11. Revenue (continued)

Figures in Rand	2016	2015
The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	256 438	346 778
Rental of facilities and equipment	784 547	733 331
Interest received - external investment	6 642 773	5 024 564
	7 683 758	**6 104 673**

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

Figures in Rand	2016	2015
Transfer revenue		
Government grants & subsidies	516 236 158	474 779 263

Notes to the Draft Annual Financial Statements

Figures in Rand	2016	2015

12. Employee related costs

Basic	59 575 856	55 277 979
Contribution to UIF, pension and medical aid	17 544 647	15 995 982
Leave pay provision charge	1 027 062	3 159 132
Travel and motor car allowances	12 713 664	12 321 489
Overtime payments	2 697 673	2 139 925
Housing benefits and allowances	2 099 368	2 179 288
Bonus	5 629 722	5 038 119
Long service awards	462 000	432 000
Telephone - Officials	389 855	243 050
	102 139 847	**96 786 964**

Remuneration of the Municipal Manager

Annual Remuneration	836 705	789 866
Travel Allowance	144 000	126 000
Housing Allowance	263 196	258 402
Contributions to UIF, SDL, Medical and Pension Funds	164 943	155 946
Cellphone allowance	18 480	18 480
Leave Pay	53 636	50 633
	1 480 960	**1 399 327**

Remuneration of the Chief Finance Officer

Annual Remuneration	766 764	723 840
Travel Allowance	72 000	60 000
Housing allowance	208 234	208 056
Contributions to UIF, SDL, Medical and Pension Funds	180 261	167 089
Cellphone Allowance	7 200	-
Leave Pay	46 401	55 681
Bonus	63 897	60 320
	1 344 757	**1 274 986**

Remuneration of Corporate Services Manager

Annual Remuneration	719 480	679 203
Travel Allowance	113 939	135 841
Housing allowance	176 251	260 361
Contributions to UIF, SDL, Medical and Pension Funds	142 133	13 847
Cellphone Allowance	6 400	-
Leave Pay	64 570	52 248
Bonus	59 957	56 600
	1 282 730	**1 198 100**

Remuneration of Executive Support Manager

Annual Remuneration	709 966	633 540
Travel Allowance	157 492	211 223
Housing allowance	145 223	65 545
Contributions to UIF, SDL, Medical and Pension Funds	124 510	161 125
Cellphone Allowance	3 200	-
Leave Pay	45 512	42 964
Bonus	59 164	25 000
	1 245 067	**1 139 397**

Notes to the Draft Annual Financial Statements

Figures in Rand	2016	2015

12. Employee related costs (continued)

Remuneration of Chief Audit Executive

Annual Remuneration	709 966	670 222
Travel Allowance	73 913	80 952
Housing allowance	258 576	234 095
Contributions to UIF, SDL, Medical and Pension Funds	152 636	144 376
Leave Pay	-	55 853
	1 195 091	**1 185 498**

Remuneration of Engineering Services Manager

Annual Remuneration	709 966	670 222
Travel Allowance	81 183	97 199
Housing allowance	227 449	208 769
Contributions to UIF, SDL, Medical and Pension Funds	177 012	152 433
Cellphone Allowance	9 600	-
Leave Pay	45 510	24 483
	1 250 720	**1 153 106**

Remuneration of Project Management Unit Manager

Annual Remuneration	-	335 111
Car Allowance	-	90 000
Housing allowance	-	133 407
Contributions to UIF, SDL, Medical and Pension Funds	-	6 793
Leave Pay	-	32 696
	-	**598 007**

Remuneration of Economic Development, Tourism & Agricultural Manager

Annual Remuneration	777 620	796 496
Travel Allowance	194 405	181 950
Housing allowance	139 352	164 379
Contributions to UIF, SDL, Medical and Pension Funds	197 890	198 362
Leave Pay	47 058	44 186
	1 356 325	**1 385 373**

Remuneration of Community Services Manager

Annual Remuneration	709 966	671 422
Travel Allowance	84 000	77 662
Housing allowance	167 684	162 000
Contributions to UIF, SDL, Medical and Pension Funds	172 728	162 849
Cellphone Allowance	6 400	-
Leave Pay	40 960	60 149
Bonus	59 164	55 952
	1 240 902	**1 190 034**

Figures in Rand	2016	2015

13. Remuneration of councillors

Councillors	6 178 091	5 874 526

14. Depreciation and amortisation

Property plant and equipment	37 084 953	35 753 267
Intangible assets	95 991	94 412
	37 180 944	**35 847 679**

15. Bulk purchases

Water	134 363 874	61 573 218

16. Grants and subsidies paid

Other subsidies		
Community learnership programme	513 158	675 439
Grants paid to local municipalities	50 860 308	102 168 647
Grants paid to LED projects	1 589 621	881 383
Grants paid to tourism projects	200 000	50 000
	53 163 087	**103 775 469**

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Figures in Rand	2016	2015

17. General expenses

Advertising	605 686	760 503
Auditors remuneration	3 098 938	2 756 020
Bacterial Testing and Analysis	144 263	120 699
Bank charges	48 739	70 661
Books and publications	13 438	215 758
Bursaries for Officials	259 507	269 577
Cleaning materials and consumables	95 100	32 169
Community functions	1 078 496	706 807
Community learnership programme	-	100 000
Congress and Conferences	363 445	232 920
Membership Fees: SALGA	915 015	186 267
Donations: Executive Mayor's Fund	84 036	406 433
Electricity	807 772	663 923
Entertainment allowance: SPM	4 902	-
Insurance	1 697 543	1 531 647
Kitchenware and cutlery	323	290
Membership fees: Societies	1 941 860	1 176 629
Other	437 323	104 829
Postage stamps and telegraphs	1 527	4 454
Printing and stationery	1 469 473	1 234 644
Promotion and Marketing	418 702	294 640
Property rates	162 345	154 375
Refreshments and meals	513 322	642 775
Rental - Office	3 249 628	2 003 149
Rental of equipment	934 799	1 041 946
Research and development costs	-	1 980
Sanitary and refuse	91 569	314 227
Employee Assistance Programme	226 340	242 611
Security services	-	136 633
Sitting allowance	341 000	405 500
Small tools & equipment	3 323	7 187
Software expenses	716 472	386 311
Special Projects	1 330 860	1 292 429
Sundry expenses	1 288	15 693
Telephone	1 596 018	1 493 115
Training	838 419	1 659 295
Travel and subsistence: Officials	4 867 554	7 455 217
Uniforms and Protective Clothing	12 329	516 429
Vehicles: Fuel and Oil	1 025 629	1 345 704
Vehicles: Licences	119 778	58 871
Water	35 720	110 547
	29 552 481	**30 152 864**

18. Fair value adjustments

Investment property	140 000	(13 000)
Land and buldings	252 468	128 900
	392 468	**115 900**

Figures in Rand	2016	2015

19. Cash generated from operations

Surplus	108 968 467	90 436 472
Adjustments for:		
Depreciation and amortisation	37 180 944	35 847 679
Gain on sale of assets and liabilities	626 401	9 656 851
Fair value adjustments	(392 468)	(115 900)
Debt impairment	12 653 575	-
Movements in retirement benefit assets and liabilities	1 534 798	1 534 798
Movements in provisions	7 402 907	9 194 551
Other non-cash items	-	20 787 571
Changes in working capital:		
Consumer debtors	(12 653 575)	-
Receivables from non-exchange transactions	3 729 253	(4 073 276)
Prepayments	(11 400 000)	59 488
VAT	23 965 136	(37 052 613)
Payables from exchange transactions	46 674 686	(16 260 160)
Unspent conditional grants and receipts	(30 965 918)	21 801 662
	187 324 206	**131 817 123**

20. Contingencies

The following litigation are in the process against the municipality relating to disputes:

1. G & HG SILVER BLUE CONSTRUCTION JV

This Joint Venture instituted legal proceedings against the municipality for payment of an amount of R15,409,361.55 allegedly being due to them in respect of Bid nr BDM2007-013B and the termination of the Joint Venture's services in respect thereof. The plaintiff has not taken any initiative in quite a while and the municipal legal representative is awaiting a notice of set down.

Contingent assets

1. BUSINESS WEBWORKS

The Municipality erroneously made payment for an amount of R261 915 to Business webworks. They directed a letter of demand to them but there was no response.

The lawyers are currently awaiting the Municipality's instruction regarding the taking of further instructions for the recovery of the above amount.

2. HARRY TENT HIRE & DECORATIONS

The Municipality erroneously made payment for an amount of R23 000 to Harry Tent Hire & Decorations. They directed a letter of demand to them but there was no response.

The lawyers are currently awaiting the Municipality's instruction regarding the taking of further instructions for the recovery of the above amount

3.KHASU ENGINEERING CONSULTANTS.

The District Municipality instituted legal proceedings against Khasu Engineering to recover costs of remedial work done at Bloemhof and Christiana sewer infrastructure.

The matter was set for default judgment at North Gauteng High Court on the roll of the 19th November 2014, however it was postponed indefinitely as Judge advised that both projects to be finalised first to determine the actual costs incurred for the remedial work at both projects. The projects have been completed and the trial date is still to be set by the court.

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Figures in Rand	2016	2015

21. Unauthorised expenditure

Balance brought forward	267 606 418	189 104 950
Unauthorised expenditure for the current year	93 041 169	78 501 468
Less: Amounts Written Off	(267 606 418)	-
	93 041 169	**267 606 418**

22. Irregular expenditure

Opening balance	614 220 771	348 155 607
Add: Irregular Expenditure - current year	195 432 770	266 065 164
Less: Amounts written-off	(614 220 771)	-
	195 432 770	**614 220 771**

23. Fruitless and wasteful expenditure

Balance brought forward	69 367	69 367
Fruitless and wasteful expenditure current year	33 761	-
Balance carried forward	**103 128**	**69 367**

24. Going concern

The draft annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

25. Events after the reporting date

There were no events after reporting period date.

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	384 533 052	620 613 322
Total capital commitments		
Already contracted for but not provided for	384 533 052	409 208 649

Notes to the Draft Annual Financial Statements

Figures in Rand	2016	2015

27. Risk management

Financial risk management

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

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risks and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

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

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

Credit risk

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

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

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call and notice deposits
- Development Bank of Southern Africa loans

28. Related parties

Relationships

Members of key management	Mr. Z.E.L. Tshetlho (Municipal Manager) Ms. S. Phatudi (CFO) Mrs. M. Makhonofane (Economic Development & Tourism) Mrs. D. Dambuza (Corporate Services) Mr. F. Buys (Internal Auditor) Mrs. E. Moncho (Executive Support) Mr. W. Jood (Engineering Services) Mr. V. Tlhabanelo (Community Services)

All councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the council in making financial and operational decisions.

During the financial year no councillor or official had any interest in related parties and no one could control or influence council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

Remuneration of Councillors	Salary	Travel Allowance	Other Allowances	Total Package
Cllr C.E. Tladinyane	454 807	113 702	210 305	778 814
Cllr N.W. Skalk	363 846	90 965	170 898	625 709
Cllr S.F. Kgodumo	341 106	85 277	152 519	578 902
Cllr. JG Brand	91 395	22 848	56 436	170 679
Cllr. M.K. Mojanaga	341 106	85 277	152 685	579 068
Cllr M.S. Moyakhe	341 106	85 277	154 147	580 530
Cllr. K.G. Sereko	341 106	85 277	164 706	591 089
Cllr. PW. Kgosieng	341 106	85 277	170 280	596 663
Cllr MS. Montshioagae	341 106	85 277	153 255	579 638
Cllr. M.G. Tong	137 089	34 272	62 833	234 194
Cllr. KV Mokhuane (Replaced Cllr. Toba)	45 696	11 425	28 518	85 639
Cllr. L.E. Gaobepe-Boemo	12 318	3 080	5 357	20 755
Cllr. M.J. Nchochoba	-	-	11 637	11 637
Cllr. L. Motlapele	-	-	4 859	4 859
Cllr C.P. Herbst	-	-	4 805	4 805
Cllr. I.M. Snyman	8 725	2 185	3 805	14 715
Cllr. A.J. Adonis	-	-	45 510	45 510
Cllr L.C. Loabile	12 616	3 155	5 485	21 256
Cllr K.D. Baepi	12 616	3 155	5 635	21 406
Cllr. G.K. Nthebotsenyane	12 616	3 155	6 638	22 409
Cllr. MP Letebele	137 089	34 272	89 695	261 056
Cllr. M.P. Ditshakane	-	-	-	32 953
Cllr. K.P. Molifi	-	-	10 660	10 660
Cllr. J.L. Halenyane	-	-	12 435	12 435
Cllr. MS. Kanyane	-	-	18 460	18 460
Cllr. R. Mokoto	-	-	15 385	15 385
Cllr. OV Mongale	62 920	-	5 070	67 990
Cllr. D. Van Tonder	36 382	9 095	23 015	68 492
Cllr. JB Moncho	-	-	938	938
Cllr. G Toba	68 645	17 165	35 635	121 445
	3 503 396	**860 136**	**1 781 606**	**6 178 091**

Refer to note 15 for the detailed remuneration of Section 57 managers.

29. Prior period errors

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

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

1. Accounting for 8% rental escalation, Correction of Grant revenue and Employee Debtors.
2.Correction of previous accrual amounts not accounted for.
3. Petty Cash transactions previously not accounted for.
4. Adjustments to WIP as a result of projects on behalf of Local Municipalities being expensed, correction of the 2013/14 balances and the correction of retention balances. Corrections to Movable and Infrastructure assets as a result of adjustments of useful lives, residual values and correction of previously miscalculated depreciation.
5. Relates to the adjustments to amortisation.
6. Accounting for straightlining of lease.
7. Correction of aacruals previously not accounted for. Correction of previously paid out retentions and classification corrections of negative debtors.
8. Recognition of conditions met that was previously not accounted for. Specifically on MWIG, LG Seta, Disaster Management, MIG, EPWP and DWAF
9. Adjustments relating to signed agreement received in 2014/15 and the signed confirmation received in the current year.
10. Correction of cut-off issues and PPE balances.
11. Relates to changing mappings of sundry income from Grants revenue, the recognition of income received from insurance claims and SDL revenue previously recognised as Grants Received.
12. Accounting for 8% escalation on the rental agreement.
13. Additional conditions met recognised on the LG Seta Grant and the DWAF Grant. Mapping changes relating to sundry income moved to Other income.
14. Corrections to align the income statement to Acturial Reports received for Long Service Awards and Medical Aid. Correction of mapping of Sitting allowances for Audit Committee members to General Expenses.
15. Relates to adjusts to depreciation as a result of the reassessment of useful lives for movable and infrastructure assets and the correction of incorrectly calculated amortisation.
16. Interest relating to Acturial reports for Long Service Awards an Medical Aid Provisions.
17. Relates to correction of cut-off, mapping corrections frofm general expensing and correction of petty cash transactions not previously processed.
18. Correction of cut-off issues and mapping of security services from General Expenses.
19. Correction of cut-off issues and expensing of projects done on behalf of Local Municipalities from WIP, namely the refurbishment of Nelson Mandela Road (Belonging to Naledi Local Municipality) and project on VIP toilets for the community.
20. Mainly relates to correction of cut-off issues. The accounting of petty cash transactions previously not accounted for. Mapping changes for Security Services, Repairs & Maintenance and Sitting Allowances.
21. Accounting for previously disposed assets.
22. Losses on calculations relationg to LSA an Medical Aid Provisions.

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

Statement of financial position

Receivables from exchange transactions - Error 1	-	2 000 499
VAT receivable - Error 2	-	(29 035)
Cash and Cash Equivalents - Error 3	-	(1 369)
Property, plant and equipment - Error 4	-	23 277 678
Intangible assets - Error 5	-	1 316
Operating Lease Liability - Error 6	-	85 821
Payables from exchange transactions - Error 7	-	(801 976)
Unspent conditional grants and receipts - Error 8	-	(8 161 903)
DBSA Loan - Error 9	-	(38 974 033)
Accumulated surplus - Error 10	-	73 101 180

Notes to the Draft Annual Financial Statements

Figures in Rand

29. Prior period errors (continued)

Statement of Financial Performance		
Other income - Error 11	-	218 892
Rental of facilities and equipment - Error 12	-	67 635
Government grants & subsidies - Error 13	-	3 946 203
Employee related costs - Error 14	-	8 516 931
Depreciation and amortisation - Error 15	-	13 072 247
Finance Costs - Error 16	-	(2 630 000)
Repairs and maintenance - Error 17	-	(362 597)
Contracted services - Error 18	-	(1 423 380)
Grants and subsidies paid - Error 19	-	(61 643 650)
General Expenses - Error 20	-	1 239 290
(Loss)/Gain on disposal of assets and liabilities - Error 21	-	(111 197)
Actuarial gains/losses - Error 22	-	107 569
	-	211 404 673