

MALETSWAI LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

MALETSWAI LOCAL MUNICIPALITY

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MALETSWAI LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Maletswai Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Maletswai Local Municipality includes the following areas:

Aliwal North

Jamestown

MUNICIPAL MANAGER

Mr. M.P Nonjola

CHIEF FINANCIAL OFFICER

Mr. T. Maseko

REGISTERED OFFICE

Corner Somerset & Barkley Street, Aliwal North, 9750

AUDITORS

Auditor General South Africa

PRINCIPLE BANKERS

First National Bank, Aliwal North

ATTORNEYS

Douglas and Botha

Horn & Kumm

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Municipal Planning and Performance Management Regulations

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

MALETSWAI LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

MEMBERS OF COUNCIL

Mayor/PR Councillor	Cllr N S Mathetha
PR Councillor	Cllr E S Mbana
PR Councillor	Cllr G D Fourie
PR Councillor	Cllr H du Preez
PR Councillor	Cllr M Jan
PR Councillor	Cllr MB Mtshingana
Ward 1 Councillor	Cllr KS Lange
Ward 2 Councillor	Cllr MW Mokhoabane
Ward 3 Councillor	Cllr ZE Betana
Ward 4 Councillor	Cllr P Williams
Ward 5 Councillor	Cllr M Mdumisa
Ward 6 Councillor	Cllr M Tsolanku

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 106 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. M.P Nonjola
Municipal Manager

Date

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
ASSETS			
Current Assets		23,362,627	30,916,391
Cash and Cash Equivalents	2	4,863,732	13,519,127
Receivables from exchange transactions	3	9,549,719	8,467,730
Receivables from non-exchange transactions	4	2,298,232	3,009,089
Operating Lease Asset	5	-	-
Taxes	6	6,343,397	5,252,797
Inventory	7	307,547	667,648
Non-Current Assets		273,723,781	257,266,221
Non-Current Investments	8	833,637	780,905
Investment Property	9	46,931,027	47,570,216
Property, Plant and Equipment	10.1	221,967,698	204,826,811
Property, Plant and Equipment - Capitalised			
Restoration Cost	10.2	-	-
Biological Assets	11	1,214,800	1,490,900
Heritage Assets	12	2,321,543	2,321,543
Intangible Assets	13	455,076	275,846
Total Assets		297,086,408	288,182,611
Current Liabilities		96,456,721	100,246,615
Annuity Loans	14.1	232,729	221,538
Hire Purchases	14.2	764,741	839,809
Finance Leases	14.3	-	638,950
Consumer Deposits	15	1,856,558	1,901,487
Payables from exchange transactions	16	79,805,491	76,918,039
Unspent Conditional Government Grants	17	5,137,144	11,150,679
Current Employee benefits	18	8,346,671	8,037,887
Provisions	19	313,387	538,225
Non-Current Liabilities		20,362,132	18,934,268
Annuity Loans	14.1	2,171,236	2,268,101
Hire Purchases	14.2	1,147,524	1,019,091
Finance Leases	14.3	-	-
Employee benefits	20	12,346,890	11,384,726
Non-Current Provisions	21	4,696,482	4,262,350
Total Liabilities		116,818,853	119,180,882
NET ASSETS		180,267,555	169,001,729
COMMUNITY WEALTH			
Accumulated Surplus	22	180,267,555	169,001,729
		180,267,555	169,001,729

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Taxation Revenue		11,409,360	11,002,501
Property Rates	23	11,409,360	11,002,501
Transfer Revenue		72,868,879	38,749,187
Government Grants and Subsidies - Capital	24	21,001,655	7,138,989
Government Grants and Subsidies - Operating	24	33,227,332	31,559,383
Public contributions and donations		18,639,892	50,815
Other Revenue		713,638	2,697,570
Fines	25	271,255	322,013
Actuarial Gains	26	373,075	2,349,666
Insurance Receipts		69,308	25,891
REVENUE FROM EXCHANGE TRANSACTIONS			
Operating Activities		77,987,463	69,110,682
Service Charges	27	68,394,555	60,586,169
Rental of Facilities and Equipment		2,206,901	1,957,479
Interest Earned - external investments		790,086	670,724
Interest Earned - outstanding debtors	28	719,018	556,887
Licences and Permits	29	1,644,325	1,798,424
Agency Services	30	1,829,488	1,700,836
Other Income	31	1,671,143	1,447,555
Gain on Disposal of PPE		731,947	392,609
TOTAL REVENUE		162,979,341	121,559,940
EXPENDITURE			
Employee related costs	32	47,954,668	42,287,194
Remuneration of Councillors	33	3,659,789	3,464,708
Debt Impairment	34	5,447,694	6,122,221
Depreciation and Amortisation	35	12,041,876	12,053,963
Impairments	36	210,856	191,597
Repairs and Maintenance	37	2,451,895	3,691,058
Actuarial losses	38	-	-
Finance Charges	39	7,731,210	7,231,183
Bulk Purchases	40	53,944,937	47,788,844
Transfers and Grants	41	605,644	391,251
Operating Grant Expenditure	42	3,424,070	3,342,076
Other Expenditure	43	13,881,019	16,493,392
Fair Value Adjustments	44	276,100	376,609
Loss on disposal of PPE		83,757	320,647
TOTAL EXPENDITURE		151,713,515	143,754,744
NET SURPLUS/(DEFICIT) FOR THE YEAR		11,265,826	(22,194,804)

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2016

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 30 June 2014 - Previously Reported	191,231,634	191,231,634
Prior Period Adjustment - Refer to note 46.7	(35,101)	(35,101)
Balance on 30 June 2014 - Restated	191,196,533	191,196,533
Net Deficit for the year	(22,194,804)	(22,194,804)
Balance on 30 June 2015 - Restated	169,001,729	169,001,729
Net Surplus for the year	11,265,826	11,265,826
Balance on 30 June 2016	180,267,555	180,267,555

MALETSWAI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		9,901,395	9,197,777
Service charges		63,289,745	56,468,714
Other revenue		24,939,660	4,305,432
Government - operating		43,427,122	30,469,456
Government - capital		5,884,331	10,586,096
Interest		1,509,104	1,227,611
Payments			
Suppliers		(74,114,157)	(49,560,614)
Employees		(47,566,569)	(41,760,087)
Finance charges		(6,341,479)	(5,788,799)
Transfers and Grants		(605,644)	(391,251)
NET CASH FROM OPERATING ACTIVITIES	47	20,323,508	14,754,333
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of Fixed Assets		1,202,752	446,688
Increase in non-current investments		(52,733)	(40,001)
Payments			
Purchase of Property, Plant and Equipment		(27,981,439)	(8,680,589)
Purchase of Intangible Assets		(306,325)	(74,855)
NET CASH USED INVESTING ACTIVITIES		(27,137,744)	(8,348,756)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Decrease in Consumer Deposits		(44,929)	(118,105)
Payments			
Loans repaid		(1,796,229)	(1,663,825)
NET CASH USED FINANCING ACTIVITIES		(1,841,158)	(1,781,930)
NET INCREASE/(DECREASE) IN CASH HELD		(8,655,395)	4,623,647
Cash and Cash Equivalents at the beginning of the year		13,519,127	8,895,481
Cash and Cash Equivalents at the end of the year		4,863,732	13,519,127

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations
ASSETS				
Current assets				
Cash	4,863,732	8,342,481	(3,478,748)	Refer note 49.2
Consumer debtors	11,078,339	12,805,820	(1,727,481)	Refer note 49.2
Other Receivables	7,113,010	5,807,915	1,305,094	Refer note 49.2
Inventory	307,547	930,695	(623,148)	Refer note 49.2
Total current assets	23,362,627	27,886,911	(4,524,284)	
Non current assets				
Investments	833637.18	816,614	17,023	Refer note 49.2
Investment property	46,931,027	45,122,262	1,808,765	Refer note 49.2
Property, plant and equipment	221,967,698	217,630,163	4,337,535	Refer note 49.2
Biological Assets	1,214,800	1,479,800	(265,000)	Refer note 49.2
Heritage Assets	2,321,543	-	2,321,543	Refer note 49.2
Intangible Assets	455,076	294,120	160,955	Refer note 49.2
Total non current assets	273,723,781	265,342,960	8,380,821	
TOTAL ASSETS	297,086,408	293,229,871	3,856,537	
LIABILITIES				
Current liabilities				
Borrowing	997,469	1,232,923	(235,454)	Refer note 49.2
Consumer deposits	1,856,558	2,218,783	(362,224)	Refer note 49.2
Trade and other payables	84,942,635	61,554,650	23,387,985	Refer note 49.2
Provisions and Employee Benefits	8,660,058	8,767,877	(107,819)	Refer note 49.2
Total current liabilities	96,456,721	73,774,233	22,682,488	
Non current liabilities				
Borrowing	3,318,760	5,839,173	(2,520,412)	Refer note 49.2
Provisions and Employee Benefits	17,043,372	17,454,842	(411,469)	Refer note 49.2
Total non current liabilities	116,818,853	97,068,247	19,750,606	
TOTAL LIABILITIES	116,818,853	97,068,247	19,750,606	
NET ASSETS	180,267,555	196,161,624	(15,894,069)	
COMMUNITY WEALTH				
Accumulated Surplus	180,267,555	196,161,624	(15,894,069)	
TOTAL COMMUNITY WEALTH/EQUITY	180,267,555	196,161,624	(15,894,069)	

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
ASSETS			
Current assets			
Cash	8,342,481	-	8,342,481
Consumer debtors	12,805,820	-	12,805,820
Other Receivables	5,807,915	-	5,807,915
Inventory	930,695	-	930,695
Total current assets	27,886,911	-	27,886,911
Non current assets			
Investments	816,614	-	816,614
Investment property	45,122,262	-	45,122,262
Property, plant and equipment	217,630,163	-	217,630,163
Biological Assets	1,479,800	-	1,479,800
Intangible Assets	294,120	-	294,120
Total non current assets	265,342,960	-	265,342,960
TOTAL ASSETS	293,229,871	-	293,229,871
LIABILITIES			
Current liabilities			
Borrowing	1,232,923	-	1,232,923
Consumer deposits	2,218,783	-	2,218,783
Trade and other payables	61,554,650	-	61,554,650
Provisions and Employee Benefits	8,767,877	-	8,767,877
Total current liabilities	73,774,233	-	73,774,233
Non current liabilities			
Borrowing	5,734,774	104,399	5,839,173
Provisions and Employee Benefits	17,454,842	-	17,454,842
Total non current liabilities	96,963,848	104,399	97,068,247
TOTAL LIABILITIES	96,963,848	104,399	97,068,247
NET ASSETS	196,266,023	(104,399)	196,161,624
COMMUNITY WEALTH			
Accumulated Surplus	196,266,023	(104,399)	196,161,624
TOTAL COMMUNITY WEALTH/EQUITY	196,266,023	(104,399)	196,161,624

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations
REVENUE BY SOURCE				
Property rates	11,409,360	14,061,400	(2,652,040)	Refer Note 49.2
Service charges - electricity revenue	62,503,224	70,211,500	(7,708,277)	Refer Note 49.2
Service charges - refuse revenue	5,891,331	9,129,000	(3,237,669)	Refer Note 49.2
Rental of facilities and equipment	2,206,901	2,362,400	(155,499)	Refer Note 49.2
Interest earned - external investments	790,086	600,000	190,086	Refer Note 49.2
Interest earned - outstanding debtors	719,018	450,000	269,018	Refer Note 49.2
Fines	271,255	310,000	(38,745)	Refer Note 49.2
Licences and permits	1,644,325	2,490,000	(845,675)	Refer Note 49.2
Agency services	1,829,488	2,200,000	(370,512)	Refer Note 49.2
Government Grants and Subsidies - Operating	33,227,332	32,441,600	785,732	Refer Note 49.2
Other revenue	20,753,417	4,111,800	16,641,617	Refer Note 49.2
Gains on disposal of PPE	731,947	1,037,500	(305,553)	Refer Note 49.2
TOTAL OPERATING REVENUE	141,977,685	139,405,200	2,878,038	
EXPENDITURE BY TYPE				
Employee related costs	47,954,668	50,057,988	(2,103,320)	Refer Note 49.2
Remuneration of councillors	3,659,789	3,989,700	(329,911)	Refer Note 49.2
Debt impairment	5,447,694	350,000	5,097,694	Refer Note 49.2
Depreciation & asset impairment	12,252,732	1,250,000	11,002,732	Refer Note 49.2
Finance charges	7,731,210	580,200	7,151,010	Refer Note 49.2
Bulk purchases	53,944,937	51,027,100	2,917,837	Refer Note 49.2
Grants and subsidies paid	605,644	-	605,644	Refer Note 49.2
Other expenditure	20,033,084	32,246,770	(12,213,686)	Refer Note 49.2
Loss on disposal of PPE	83,757	-	83,757	Refer Note 49.2
TOTAL OPERATING EXPENDITURE	151,713,515	139,501,758	12,211,757	
OPERATING DEFICIT FOR THE YEAR	(9,735,830)	(96,558)	(9,333,719)	
Government Grants and Subsidies - Capital	21,001,655	28,319,700	(7,318,045)	Refer Note 49.2
NET SURPLUS FOR THE YEAR	11,265,826	28,223,142	(16,651,764)	

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
REVENUE BY SOURCE			
Property rates	14,061,400	-	14,061,400
Service charges - electricity revenue	70,211,500	-	70,211,500
Service charges - refuse revenue	9,129,000	-	9,129,000
Rental of facilities and equipment	2,362,400	-	2,362,400
Interest earned - external investments	600,000	-	600,000
Interest earned - outstanding debtors	450,000	-	450,000
Fines	310,000	-	310,000
Licences and permits	2,490,000	-	2,490,000
Agency services	2,200,000	-	2,200,000
Government Grants and Subsidies - Operating	32,441,600	-	32,441,600
Other revenue	4,111,800	-	4,111,800
Gains on disposal of PPE	69,900	967,600	1,037,500
TOTAL OPERATING REVENUE	138,437,600	967,600	139,405,200
EXPENDITURE BY TYPE			
Employee related costs	49,489,000	568,988	50,057,988
Remuneration of councillors	3,989,700	-	3,989,700
Debt impairment	350,000	-	350,000
Depreciation & asset impairment	1,250,000	-	1,250,000
Finance charges	580,200	-	580,200
Bulk purchases	51,027,100	-	51,027,100
Grants and subsidies paid	-	-	-
Other expenditure	30,987,800	1,258,970	32,246,770
TOTAL OPERATING EXPENDITURE	137,673,800	1,827,958	139,501,758
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	763,800	(860,358)	(96,558)
Government Grants and Subsidies - Capital	13,319,700	15,000,000	28,319,700
NET SURPLUS FOR THE YEAR	14,083,500	14,139,642	28,223,142

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates, penalties & collection charges	9,901,395	12,655,260	(2,753,865)
Service charges	63,289,745	71,223,870	(7,934,125)
Other revenue	24,939,660	11,474,200	13,465,460
Government - operating	43,427,122	32,441,600	10,985,522
Government - capital	5,884,331	14,317,327	(8,432,996)
Interest	1,509,104	1,050,000	459,104
Payments			
Suppliers and Employees	(121,680,726)	(137,323,800)	15,643,074
Finance charges	(6,341,479)	(350,000)	(5,991,479)
Transfers and Grants	(605,644)	-	(605,644)
NET CASH FROM OPERATING ACTIVITIES	20,323,508	5,488,457	14,835,051
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	1,202,752	1,037,500	165,252
Decrease/(increase) in non-current investments	(52,733)	410,400	(463,133)
Payments			
Capital assets	(28,287,763)	(30,460,261)	2,172,498
NET CASH USED IN INVESTING ACTIVITIES	(27,137,744)	(29,012,361)	1,874,617
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	(44,929)	100,000	(144,929)
Payments			
Repayment of borrowing	(1,796,229)	(1,501,161)	(295,068)
NET CASH USED IN FINANCING ACTIVITIES	(1,841,158)	(1,401,161)	(439,997)
NET DECREASE IN CASH HELD	(8,655,395)	(24,925,065)	16,269,670
Cash and Cash Equivalents at the beginning of the year	13,519,127	-	13,519,127
Cash and Cash Equivalents at the end of the year	4,863,732	(24,925,065)	29,788,797

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates, penalties & collection charges	12,655,260	-	12,655,260
Service charges	71,223,870	-	71,223,870
Other revenue	11,474,200	-	11,474,200
Government - operating	32,441,600	-	32,441,600
Government - capital	13,319,700	997,627	14,317,327
Interest	1,050,000	-	1,050,000
Payments			
Suppliers and Employees	(137,323,800)	-	(137,323,800)
Finance charges	(350,000)	-	(350,000)
Transfers and Grants	-	-	-
	<u>4,490,830</u>	<u>997,627</u>	<u>5,488,457</u>
NET CASH FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	69,900	967,600	1,037,500
Decrease in non-current investments	410,400	-	410,400
Payments			
Capital assets	(13,749,700)	(16,710,561)	(30,460,261)
	<u>(13,269,400)</u>	<u>(15,742,961)</u>	<u>(29,012,361)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
New Loans Raised	-	-	-
Increase in consumer deposits	100,000	-	100,000
Payments			
Repayment of borrowing	(1,396,762)	(104,399)	(1,501,161)
	<u>(1,296,762)</u>	<u>(104,399)</u>	<u>(1,401,161)</u>
NET CASH USED IN FINANCING ACTIVITIES			
NET DECREASE IN CASH HELD			
	<u>(10,075,332)</u>	<u>(14,849,733)</u>	<u>(24,925,065)</u>
Cash and Cash Equivalents at the beginning of the year	-	-	-
Cash and Cash Equivalents at the end of the year	(10,075,332)	(14,849,733)	(24,925,065)

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

1.04.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 1 (May 2015)	Presentation of Financial Statements	1 April 2016
GRAP 16 (May 2015)	Investment Property	1 April 2016
GRAP 17 (May 2015)	Property, Plant and Equipment	1 April 2016
GRAP 31 (May 2015)	Intangible Assets	1 April 2016
GRAP 103 (May 2015)	Heritage Assets	1 April 2016

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to additional disclosure requirements, the removal of encouraged disclosures and the clarification of accounting principles.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). The estimated date of implementation is 1 July 2017.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

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

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to develop an accounting policy as set out in note 1.36 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.4 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.21.

The impact of this Standard on the financial statements will be minimal.

1.08.2.5 GRAP 109 - Accounting by Principles and Agents(Original - July 2015)

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

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.08.2.6 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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 measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1.09.2 Subsequent Measurement – Cost Model

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

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.09 INVESTMENT PROPERTY (CONTINUED)

1.09.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100
Land	Indefinite

1.09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.09.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset 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, its 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.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
Infrastructure		Land and Buildings	
Roads and Stormwater	7 - 50	Buildings	100
Electricity	20 - 45	Land	Indefinite
Lease assets			
Office Equipment	3 - 5		

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

1.10.5 Derecognition

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

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 BIOLOGICAL ASSETS

1.11.1 Initial Recognition

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset.

A biological asset or agricultural produce is recognised when:

- (a) the Municipality controls the asset as a result of a past event;
- (b) it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- (c) and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

Where the Municipality acquires a biological asset through a non-exchange transaction, the biological asset is also measured at its fair value less cost to sell.

1.11.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

Agricultural produce harvested from the Municipality's biological assets is measured at its fair value less costs to sell at the point of harvest.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition.

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

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 INTANGIBLE ASSETS

1.13.1 Initial Recognition

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

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.13 INTANGIBLE ASSETS (CONTINUED)

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

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.13.2 Subsequent Measurement - Cost Model

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

1.13.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5 - 10

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.13 INTANGIBLE ASSETS (CONTINUED)

1.13.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.13.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.14 NON-CURRENT INVESTMENTS

Investments include only fixed deposits invested in registered commercial banks.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

1.15 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

1.15.1 Recoverable amount of Cash-generating assets

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

The best evidence of 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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.15 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

1.15.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

1.15.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.15.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.16 INVENTORIES

1.16.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition.

1.16.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.16 INVENTORIES (CONTINUED)

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.17 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.17.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.17.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.17.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.17 EMPLOYEE BENEFITS (CONTINUED)

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17.2 Long-term Benefits

1.17.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.17.3 Short-term Benefits

1.17.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.17.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.17 EMPLOYEE BENEFITS (CONTINUED)

1.17.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.18 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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 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 will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality 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.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.18 PROVISIONS (CONTINUED)

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.19 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.

1.19.1 Municipality as Lessee

1.19.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.19.2 Municipality as Lessor

1.19.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.20 FINANCIAL INSTRUMENTS

1.20.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.20.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **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. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.20.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.20.3.1 *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 discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

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 is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.20.3.2 *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 is not be reversed.

1.20.4 Derecognition of financial instruments

1.20.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.20.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

1.20.5 **Offsetting of financial instruments**

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

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.21.1 **Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.21.2 **Subsequent Measurement**

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.21.3 **Impairment and uncollectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.21 STATUTORY RECEIVABLES (CONTINUED)

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.22 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.23 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.23 RECEIVABLES (CONTINUED)

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.24 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.25 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.26 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS (CONTINUED)

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.28 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.28.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.28.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.28 REVENUE (CONTINUED)

1.28.1.3 Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.28.1.4 Insurance Receipts

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.28.1.5 Unclaimed deposits

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

1.28.1.6 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.28.1.7 Services in-kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related 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.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.28 REVENUE (CONTINUED)

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.28.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.28.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.28.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity is based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.28 REVENUE (CONTINUED)

1.28.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.28.2.3 *Rental income*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.28.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

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

1.28.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.28.2.6 *Sale of goods*

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.28.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.28 REVENUE (CONTINUED)

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.29 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.30 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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

1.34 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.35 EVENTS AFTER REPORTING DATE

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

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

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

1.36 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.37 RELATED PARTIES (CONTINUED)

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.38.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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

1.38.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.38.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.38.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Impairment charges relating to capitalised restoration costs are linked to the portion of landfill site being utilised in the year under review.

1.38.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.38.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

1.38.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.38.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.38.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
2 CASH AND CASH EQUIVALENTS		
Current Accounts	844,949	1,020,651
Balance Previously Reported	-	1,007,261
Prior Period Adjustment - Refer to note 46.1	-	13,389
Call Investments and Notice Deposits	4,013,732	12,494,424
Cash Floats	5,052	4,052
Total	4,863,732	13,519,127
Due to the short term nature of cash deposits, all balances included above is in line with their fair value		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	5,137,144	11,150,679
Committed for DBSA loan	239,285	1,406,768
Working Capital Requirements	(512,697)	961,681
	4,863,732	13,519,127
Primary Bank Account		
First National Bank - Aliwal North Branch - Account Number 6247 6326 965		
Bank Statement Balance - Opening Balance	189,438	2,770
Bank Statement Balance - Closing Balance	861,404	189,438
Cashbook Balance - Opening Balance	582,471	2,770
Cashbook Balance - Closing Balance	754,617	582,471
Other Current Accounts		
ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194		
Bank Statement Balance - Opening Balance	348,272	516,785
Bank Statement Balance - Closing Balance	-	348,272
Cashbook Balance - Opening Balance	348,272	716,605
Cashbook Balance - Closing Balance	-	348,272
ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352		
Bank Statement Balance - Opening Balance	9,382	10,327
Bank Statement Balance - Closing Balance	8,445	9,382
Cashbook Balance - Opening Balance	9,382	10,327
Cashbook Balance - Closing Balance	8,445	9,382
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125		
Bank Statement Balance - Opening Balance	79,740	77,923
Bank Statement Balance - Closing Balance	81,811	79,740
Cashbook Balance - Opening Balance	79,740	77,923
Cashbook Balance - Closing Balance	81,811	79,740

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

ABSA Bank - Aliwal North Branch - Account Number 4059 12
9037

Bank Statement Balance - Opening Balance	786	1,683
Bank Statement Balance - Closing Balance	76	786
Cashbook Balance - Opening Balance	786	1,683
Cashbook Balance - Closing Balance	76	786

There are no overdraft facility at any of the bank accounts.

There are no guarantees held on any of the bank accounts.

Call Investments and Notice Deposits

Call Investments and Notice Deposits consist out of the following accounts:

ABSA 32 Day Notice - Account Number 92 7883 5880	2,249,612	8,529,414
ABSA Call Account - Account Number 92 7435 2868	239,285	1,406,768
First National Bank Call Account - Account Number 62 4822 13247	1,524,835	2,558,243
	<u>4,013,732</u>	<u>12,494,424</u>

Interest between x % and X % (2015 - 6.250 % and 6.375 %) are attracted by these short term deposits.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2016

	Gross Balance	Allowance for Impairment	Net Receivable
	R	R	R
Service Receivables	16,421,681	6,871,963	9,549,719
Electricity	10,025,391	2,048,599	7,976,793
Refuse	4,906,780	3,722,893	1,183,887
Other Arrears	1,489,510	1,100,471	389,039
Total	16,421,681	6,871,963	9,549,719

30 JUNE 2015

	Gross Balance	Allowance for Impairment	Net Receivable
	R	R	R
Service Receivables	13,986,942	5,519,212	8,467,730
Electricity	8,350,837	1,431,900	6,918,937
Refuse	4,404,993	3,258,437	1,146,555
Other Arrears	1,231,112	828,874	402,238
Total	13,986,942	5,519,212	8,467,730
Balance Previously Reported	14,109,367	5,519,212	8,590,155
Prior Period Adjustment - Refer to note 46.2	(122,426)	-	(122,426)
Restated Balance on 30 June 2015	13,986,942	5,519,212	8,467,730

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

Ageing of service receivables:

Electricity Ageing

Current (0 - 30 days)	7,590,534	6,591,817
Past Due (31 - 60 Days)	736,280	432,706
Past Due (61 - 90 Days)	399,839	218,647
Past Due (90 Days +)	1,298,739	1,107,668
Total	10,025,391	8,350,837

Refuse Ageing

Current (0 - 30 days)	488,141	463,478
Past Due (31 - 60 Days)	297,129	282,854
Past Due (61 - 90 Days)	240,093	246,764
Past Due (90 Days +)	3,881,417	3,411,896
Total	4,906,780	4,404,993

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Other Arrears Ageing

Current (0 - 30 days)	190,949	148,214
Past Due (31 - 60 Days)	109,716	108,869
Past Due (61 - 90 Days)	46,560	113,987
Past Due (90 Days +)	1,142,285	860,043

Total	1,489,510	1,231,112
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Total Service Receivables Ageing

Current (0 - 30 days)	8,269,624	7,203,508
Past Due (31 - 60 Days)	1,143,124	824,429
Past Due (61 - 90 Days)	686,492	579,397
Past Due (90 Days +)	6,322,442	5,379,607

Total	16,421,681	13,986,942
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Reconciliation of Allowance for impairment

Balance at the beginning of the year	5,519,212	3,221,460
Contribution to the provision	4,321,104	4,553,952
Bad Debts Written off	(2,968,353)	(2,256,200)

Electricity	(1,059,648)	(827,975)
Refuse	(1,868,821)	(932,407)
Other Arrears	(39,885)	(495,818)

Balance at the end of the year	6,871,963	5,519,212
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The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2016

	Gross Balance	Allowance for Impairment	Net Receivable
	R	R	R
Service Receivables	5,153,630	3,625,010	1,528,620
Rates	5,153,630	3,625,010	1,528,620
Other Receivables	769,612	-	769,612
Accrued Interest	42,408	-	42,408
Staff	51,922	-	51,922
Deposits	212,253	-	212,253
Government	188,880	-	188,880
Other Debtors	274,149	-	274,149
Total	5,923,243	3,625,010	2,298,232

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

30 JUNE 2015

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	3,867,926	2,613,683	1,254,243
Rates	3,867,926	2,613,683	1,254,243
Other Receivables	1,754,846	-	1,754,846
Accrued Interest	51,680	-	51,680
Staff	55,958	-	55,958
Deposits	146,403	-	146,403
Government	188,880	-	188,880
Unpaid Grants	1,096,000	-	1,096,000
Other Debtors	215,925	-	215,925
Total	5,622,772	2,613,683	3,009,089
Balance Previously Reported	4,673,916	2,613,683	2,060,233
Reclassification - Refer to note 45.1	1,096,000	-	1,096,000
Prior Period Adjustment - Refer to note 46.3	(147,145)	-	(147,145)
Restated Balance on 30 June 2015	5,622,772	2,613,683	3,009,089

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2016 R	2015 R
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	936,605	792,538
Past Due (31 - 60 Days)	295,099	284,805
Past Due (61 - 90 Days)	192,104	194,801
Past Due (90 Days +)	3,729,822	2,595,783
Total	5,153,630	3,867,926

Reconciliation of Allowance for impairment

Balance at the beginning of the year	2,613,683	1,372,164
Contribution to the provision	1,233,589	1,938,559
Bad Debts Written off	(222,262)	(697,040)
Rates	(222,262)	(697,040)
Balance at the end of the year	3,625,010	2,613,683

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

5 OPERATING LEASE ASSET

Operating Lease Asset

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From the 2012 financial year, the lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2014 and 30 June 2015. The lease agreement for rented flats has a clause indicating that rent will be increased annually on 01 July.

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	1,033	280,685
Between 1 and 5 Years	3,997	56,305
After 5 Years	6,453	7,188
	<u>11,483</u>	<u>344,178</u>

The decrease in rentals to be received in future periods can mainly be attributed to lease contracts not renewed in anticipation of the merger between Maletswai Municipality and Gariep Municipality

6 TAXES

VAT Receivable (In suspense)	6,886,024	6,301,000
VAT Receivable from SARS	1,095,697	-
VAT Payable (In suspense)	(1,638,324)	(962,395)
VAT Payable to SARS	-	(85,808)
Total	<u>6,343,397</u>	<u>5,252,797</u>

VAT is payable/receivable on the cash basis. Payments to and claims from SARS only occurs when actual cash flow takes place.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

7 INVENTORY

Consumable Stores - Electrical Stock	307,547	667,648
Total	<u>307,547</u>	<u>667,648</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory recognised as an expense during the year.	699,502	781,968
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8 NON-CURRENT INVESTMENTS

Fixed Deposits	833,637	780,905
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Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 6.34% to 6.77% per annum. (2015 - 6.27% to 6.77%)

Fixed Deposits consist out of the following accounts:

ABSA Fixed Deposit - Account number 20 6626 7402	800,441	749,687
ABSA Fixed Deposit - Account number 20 4791 9733	33,196	31,217
	833,637	780,905

The ABSA Fixed Deposit - Account number 20 6626 7402 is committed as security for the DBSA long-term liability.

9 INVESTMENT PROPERTY

Investment Property - Carrying Value	46,931,027	47,570,216
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The movement in investment properties is reconciled as follows:

Opening Carrying Value	47,570,216	47,880,058
Cost	49,292,969	49,325,969
Accumulated Depreciation	(1,722,752)	(1,445,911)
Disposals	(361,965)	(33,000)
Depreciation for the year	(277,224)	(276,842)
Closing Carrying Value	46,931,027	47,570,216
Cost	48,917,310	49,292,969
Accumulated Depreciation	(1,986,283)	(1,722,752)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

An income of R 1 703 501 (2015 - R1 477 730) was identified on these investment properties and was recognised as revenue from rental of facilities.

Operating expenses that enabled the municipality to generate economic benefits as well as maintain the standards of the facilities were identified as R 112 563.14 (2015 - R 48 893).

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

10.1 PROPERTY PLANT AND EQUIPMENT

30 June 2016	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	29,942,296	-	(10,368)	29,931,928	776,287	119,808	-	896,095	29,035,833
Land	17,994,241	-	(10,368)	17,983,873	-	-	-	-	17,983,873
Buildings	11,948,055	-	-	11,948,055	776,287	119,808	-	896,095	11,051,960
Infrastructure	228,751,240	15,648,373	-	244,399,613	69,950,433	9,544,816	-	79,495,249	164,904,364
Roads and Stormwater	158,807,925	13,408,867	-	172,216,792	55,694,269	7,117,968	-	62,812,237	109,404,555
Electricity	66,823,284	2,239,506	-	69,062,790	14,210,863	2,420,059	-	16,630,922	52,431,868
Other	3,120,030	-	-	3,120,030	45,302	6,788	-	52,090	3,067,941
Community Assets	10,309,198	11,060,961	-	21,370,158	918,298	314,543	-	1,232,840	20,137,318
Recreation Grounds and Facilities	7,932,871	11,060,961	-	18,993,832	622,864	219,229	-	842,093	18,151,739
Cemetery	2,376,326	-	-	2,376,326	295,434	95,313	-	390,747	1,985,579
Lease Assets	2,342,207	-	(6,143)	2,336,064	1,860,315	472,738	(5,562)	2,327,491	8,573
Office Equipment	2,342,207	-	(6,143)	2,336,064	1,860,315	472,738	(5,562)	2,327,491	8,573
Other Assets	15,596,927	2,261,707	(668,406)	17,190,228	8,609,723	1,186,391	(487,497)	9,308,617	7,881,611
Office Equipment and tools	5,189,950	1,393,635	(230,573)	6,353,011	3,328,950	540,134	(185,824)	3,683,260	2,669,751
Motor vehicles and implements	10,406,978	868,072	(437,833)	10,837,217	5,280,774	646,257	(301,673)	5,625,358	5,211,859
Total	286,941,867	28,971,041	(684,917)	315,227,991	82,115,056	11,638,295	(493,058)	93,260,293	221,967,698

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2015	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	29,942,296	-	-	29,942,296	656,806	119,481	-	776,287	29,166,009
Land	17,994,241	-	-	17,994,241	-	-	-	-	17,994,241
Buildings	11,948,055	-	-	11,948,055	656,806	119,481	-	776,287	11,171,768
Infrastructure	223,775,181	5,868,068	(892,009)	228,751,240	61,466,729	9,270,044	(786,340)	69,950,433	158,800,806
Roads and Stormwater	155,431,241	4,268,692	(892,009)	158,807,925	49,596,190	6,884,419	(786,340)	55,694,269	103,113,656
Electricity	65,223,909	1,599,375	-	66,823,284	11,832,007	2,378,856	-	14,210,863	52,612,421
Other	3,120,030	-	-	3,120,030	38,532	6,769	-	45,302	3,074,729
Community Assets	7,842,083	2,467,114	-	10,309,198	604,614	313,683	-	918,298	9,390,900
Recreation Grounds and Facilities	5,465,757	2,467,114	-	7,932,871	309,181	313,683	-	622,864	7,310,007
Cemetery	2,376,326	-	-	2,376,326	295,434	-	-	295,434	2,080,893
Lease Assets	2,354,493	-	(12,286)	2,342,207	1,372,932	494,312	(6,929)	1,860,315	481,892
Office Equipment	2,354,493	-	(12,286)	2,342,207	1,372,932	494,312	(6,929)	1,860,315	481,892
Other Assets	15,908,947	345,407	(657,426)	15,596,927	7,570,964	1,468,705	(429,947)	8,609,723	6,987,204
Office Equipment and tools	5,496,727	345,407	(652,183)	5,189,950	3,206,515	548,711	(426,277)	3,328,950	1,861,000
Motor vehicles and implements	10,412,220	-	(5,243)	10,406,978	4,364,449	919,994	(3,670)	5,280,774	5,126,204
Total	279,822,999	8,680,589	(1,561,720)	286,941,867	71,672,047	11,666,225	(1,223,216)	82,115,056	204,826,811
Balance Previously Reported	279,818,651	8,680,589	(1,740,884)	286,758,355	71,669,144	11,670,856	(1,360,741)	81,979,259	204,779,096
Prior Period Adjustment - Refer to note 46.4	4,348	-	179,163	183,512	2,903	(4,631)	137,526	135,797	47,715
Restated Balance on 30 June 2015	279,822,999	8,680,589	(1,561,720)	286,941,867	71,672,047	11,666,225	(1,223,216)	82,115,056	204,826,811

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

	2016 R	2015 R
The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.		
Infrastructure - Roads and Stormwater	13,408,867	-
Infrastructure - Electricity	2,239,506	-
Infrastructure - Other	2,984,642	2,984,642
Community Assets - Recreation Grounds	13,528,075	2,467,114
Total Work in Progress (WIP)	32,161,091	5,451,757

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in note 14 to the financial statements

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

10.2

	2016 R	2015 R
PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST		
Capitalised Restoration Cost - Carrying Value	-	-
The movement in capitalised restoration cost is reconciled as follows:		
Opening Carrying Value	-	-
Cost	2,457,655	2,266,058
Accumulated Impairments	(2,457,655)	(2,266,058)
Additions	210,856	191,597
Impairments for the year	(210,856)	(191,597)
Closing Carrying Value	-	-
Cost	2,668,511	2,457,655
Accumulated Impairments	(2,668,511)	(2,457,655)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Maletswai Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 21 for more detail relating to this asset financed by way of a provision

11

BIOLOGICAL ASSETS

Biological Assets - Fair Value	1,214,800	1,490,900
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The movement in biological assets is reconciled as follows:

Opening Fair Value	1,490,900	1,867,509
Decrease in fair value due to disposals	-	(913,853)
Fair value adjustments - Physical changes and death	(548,900)	82,128
Fair value adjustments - Price adjustments	272,800	455,117
Closing Fair Value	1,214,800	1,490,900

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life in the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Biological Assets consist out of the following at year-end:

2016 Quantity	Asset	2016 Fair Value R		
337	Springbuck	800	269,600	132,400
99	Blesbuck	1,400	138,600	47,600
43	Black Wildebeest	1,700	73,100	64,500
27	Gems buck	4,000	108,000	86,400
50	Red Hartebeest	3,000	150,000	94,000
15	Eland	5,625	84,375	75,000
24	Zebra	4,750	114,000	120,000
9	Ostrich	1,625	14,625	8,500
3	Buffalo	87,500	262,500	862,500
Total			1,214,800	1,490,900

The Fair value of biological assets is based on selling prices less costs to sell in an open active market. The decline in the buffalo value during 2015 and 2016 can mainly be attributed to 6 (2015 - 10) the animals breaking out of the reserve and effectively the municipality lost control of the animals, thus not meeting the definition of an asset anymore. Subsequent to year-end a large number of the animals returned.

12 HERITAGE ASSETS

Heritage Assets - Carrying Value 2,321,543 2,321,543

There were no movement in heritage assets during the year:

Opening and Closing Carrying Value	2,321,543	2,321,543
Cost	2,321,543	2,321,543

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

13 INTANGIBLE ASSETS

Intangible Assets - Carrying Value 455,076 275,846

The movement in intangible assets is reconciled as follows:

Opening Carrying Value	275,846	315,109
Cost	1,565,699	1,495,050
Accumulated Depreciation	(1,289,853)	(1,179,941)
Additions	306,325	74,855
Disposals	(738)	(3,222)
Amortisation for the year	(126,357)	(110,896)
Closing Carrying Value	455,075	275,846
Cost	1,868,870	1,565,699
Accumulated Depreciation	(1,413,795)	(1,289,853)

Intangible Assets consist only out of software

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

14 LONG-TERM LIABILITIES

14.1 ANNUITY LOANS

	2016 R	2015 R
Annuity Loans	3,513,798	3,734,840
Less: Current portion	(232,729)	(221,538)
Sub-total	3,281,069	3,513,301
Unamortised Loan Charges	(1,109,833)	(1,245,200)
Opening Balance	(1,245,200)	(1,380,142)
Unwinding of discounted interest	135,367	134,942
Total	2,171,236	2,268,101

Annuity Loans were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future installments.

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

Development Bank of South Africa (DBSA)	3,513,798	3,734,840
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Interest is calculated at 5,00% interest rate and the loan will be fully redeemed on 30 September 2027. Annuity loans consist out of one loan from the Development Bank of South Africa (DBSA)

Annuity loans are secured by long and short term deposits. Refer to notes 2 and 8.

	3,513,798	3,734,840
--	------------------	------------------

Annuity loans are payable as follows:

Payable within one year	405,559	405,559
Payable within two to five years	1,622,236	1,622,236
Payable after five years	2,634,940	3,039,622
Total amount payable	4,662,735	5,067,417
Less: Outstanding Future Finance Charges	(1,148,937)	(1,332,578)
Present value of annuity loans	3,513,798	3,734,840

14.2 HIRE PURCHASES

Hire Purchases	1,912,265	1,858,900
Less: Current portion	(764,741)	(839,809)
Total	1,147,524	1,019,091

Hire Purchases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	ABSA (TATA Truck)	10.25%	2016/08/05
2	ABSA (Isuzu KB200I LWB)	10.25%	2016/02/15
3	ABSA (2011 Rear Tipping Trailer)	10.25%	2016/02/15
4	ABSA (2010 Vibrating Roller)	10.25%	2016/02/15
5	ABSA (Isuzu KB200I Fleetside)	10.25%	2016/02/15
6	ABSA (Sonalinka Tractor)	10.25%	2016/02/15
7	ABSA (Mazda CX 7)	10.25%	2016/05/01
8	ABSA (TATA Water Truck)	10.25%	2017/12/15
9	ABSA (Nissan UD 330)	10.25%	2018/03/01
10	ABSA (Isuzu KB 200I)	10.25%	2018/03/01
11	FNB (CHEVROLET TRAILBLAZER)	10.25%	2020/10/01
12	FNB (NISSAN NP200 1.6)	10.25%	2020/10/01
13	FNB (Chevrolet Aveo)	10.25%	2020/10/01
14	FNB (Chevrolet Aveo)	10.25%	2020/10/01

Assets and liabilities associated with hire purchase contracts:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2016 R	2015 R	2016 R	2015 R
1	185,054	228,593	9,765	120,273
2	50,942	65,296	-	23,926
3	39,543	44,642	-	12,535
4	40,250	55,109	-	22,438
5	57,345	76,732	-	30,483
6	139,349	147,628	-	34,310
7	207,347	227,871	-	79,532
8	485,080	545,156	283,546	448,442
9	948,434	1,085,938	660,552	985,373
10	105,808	117,586	68,100	101,587
11	384,581	-	417,188	-
12	134,433	-	146,700	-
13	146,281	-	163,207	-
14	146,281	-	163,207	-
	3,070,729	2,594,551	1,912,265	1,858,900

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 10.1.

	2016 R	2015 R
Hire Purchases are payable as follows:		
Payable within one year	933,636	990,088
Payable within two to five years	1,294,482	1,112,431
Total amount payable	2,228,118	2,102,519
Less: Outstanding Future Finance Charges	(315,853)	(243,619)
Present value of Hire Purchases	1,912,265	1,858,900

14.3 FINANCE LEASES

Finance Leases	-	638,950
Less: Current portion	-	(638,950)
Total	-	-

Finance Leases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	NRG Rental (Copiers)	16.67%	2016/06/30
	<p>The lease agreement has no escalation clause over the 60 month period. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to NRG at the end of the lease term when the contract is cancelled.</p>		
2	MTN Ltd (Tablets)	17.82%	2015/12/31

The lease agreement has no escalation clause over the 24 month period. The equipment vests in the name of the municipality at the end of the lease term. The lease payments will continue on a month to month basis at the end of the leased term until the lease is renewed or cancelled.

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2016 R	2015 R	2016 R	2015 R
1	-	447,898	-	609,284
2	8,135	32,496	-	29,666
	8,135	480,394	-	638,950

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 10.1.

	2016 R	2015 R
Finance Leases are payable as follows:		
Payable within one year	-	699,243
Total amount payable	-	699,243
Less: Outstanding Future Finance Charges	-	(60,293)
Present value of Finance Leases	-	638,950

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
15 CONSUMER DEPOSITS		
Electricity	1,856,558	1,901,487
Total	1,856,558	1,901,487
Guarantees held in lieu of Electricity Deposits	-	-
The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.		
16 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	66,154,132	63,078,481
Balance previously reported	62,757,860	62,757,860
Prior Period Adjustment - Refer to note 46.5	320,620	320,620
Retentions	3,775,877	2,161,774
Interest Accrued	59,166	59,312
Pre-paid electricity	1,598,706	1,496,030
Payments received in advance	944,921	1,050,435
Joe Gqabi District Municipality (Water and Sanitation)	2,830,475	6,968,798
Other Creditors	4,170,495	1,809,204
Balance previously reported	1,811,455	1,811,455
Prior Period Adjustment - Refer to note 46.5	(2,252)	(2,252)
Sundry deposits	271,717	294,006
Balance previously reported	360,776	360,776
Prior Period Adjustment - Refer to note 46.5	(66,770)	(66,770)
Total	79,805,491	76,918,039

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

Due to cash flow constraints, a significant increase in payables is evident when compared to the prior year

The increase in other payables can mainly be attributed to salary related payables as well as monies outstanding to Department of Transport for license fees.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016	2015
	R	R
17 UNSPENT CONDITIONAL GOVERNMENT GRANTS		
National Government	511,967	7,906,424
Provincial Government	3,244,255	3,244,255
District Municipality	1,380,922	-
Total	5,137,144	11,150,679

Detail reconciliations of all grants received and grant conditions met are included in note 24. Unspent grant balances are recognised to the extent that conditions are not yet met.

Municipal Infrastructure Grant Funding amounting to R 7

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

18	CURRENT EMPLOYEE BENEFITS	2016 R	2015 R
	Post Retirement Medical Benefits	306,264	302,448
	Long Service Awards	354,885	390,820
	Performance Bonuses	1,154,211	2,308,626
	Bonuses	1,072,267	832,216
	Staff Leave	5,459,045	4,203,777
	Total	8,346,671	8,037,887

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Opening Balance	2,308,626	1,694,949
Contribution during the year	401,061	613,677
Payments made	(1,555,476)	-
Opening Balance	1,154,211	2,308,626

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses

Opening Balance	832,216	798,565
Contribution during the year	2,457,635	1,948,275
Payments made	(2,217,585)	(1,914,623)
Opening Balance	1,072,267	832,216

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
18 CURRENT EMPLOYEE BENEFITS (CONTINUED)		
Staff Leave		
Opening Balance	4,203,777	4,871,237
Contribution during the year	1,889,976	205,220
Payments made	(634,708)	(872,681)
Opening Balance	<u>5,459,045</u>	<u>4,203,777</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

	2016 R	2015 R
19 PROVISIONS		
Compensation for injuries on duty contribution	313,387	538,225
Balance Previously Reported		305,902
Prior Period Adjustment - Refer to note 46.6		232,324
Total	<u>313,387</u>	<u>538,225</u>

The movement in provisions are reconciled as follows:

Compensation for injuries on duty contribution

Opening Balance	538,225	328,172
Contribution during the year	330,662	538,225
Penalties incurred	-	29,890
Payments made	(555,501)	(358,063)
Opening Balance	<u>313,387</u>	<u>538,225</u>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate of the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

	2016 R	2015 R
20 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	11,131,005	10,334,452
Long Service Awards	1,877,034	1,743,542
Sub-Total	<u>13,008,039</u>	<u>12,077,994</u>
Less: Current portion of Employee Benefits	<u>661,149</u>	<u>693,268</u>
Post Retirement Medical Benefits	306,264	302,448
Long Service Awards	354,885	390,820
Total	<u>12,346,890</u>	<u>11,384,726</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20	EMPLOYEE BENEFITS (CONTINUED)	2016 R	2015 R
20.1 Post Retirement Medical Benefits			
The movement in Post Retirement Medical Benefits are reconciled as follows:			
	Opening Balance	10,334,452	11,278,008
	Contribution during the year	1,432,268	1,571,061
	Current Service Cost	520,838	567,520
	Interest Cost	911,430	1,003,541
	Payments made	(318,560)	(367,851)
	Actuarial Gain	(317,155)	(2,146,766)
	Total balance at year-end	11,131,005	10,334,452
	Less Current Portion	306,264	302,448
	Total	10,824,741	10,032,004

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2016	2015
In-service members	68	60
In-service non-members	146	151
Continuation members	11	11
Total	225	222

The liability in respect of past service has been estimated to be as follows:

	2016 R	2015 R
In-service members	7,305,364	6,449,068
Continuation members	3,825,641	3,885,384
Total Unfunded Liability	11,131,005	10,334,452

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014	2013	2012
	R	R	R
In-service members	7,139,409	5,922,486	5,901,575
Continuation members	4,138,599	4,266,193	4,562,031
Total Unfunded Liability	11,278,008	10,188,679	10,463,606

Experience adjustments were calculated as follows:

	2016	2015
	R m	R m
Liabilities: (Gain)/Loss	(0.352)	(2.020)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014	2013	2012
	R m	R m	R m
Liabilities: (Gain)/Loss	(0.412)	(1.018)	0.018
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

	2016	2015
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	9.05%	8.95%
Health Care Cost Inflation Rate	8.17%	8.06%
Net Effective Discount Rate	0.81%	0.82%

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal Retirement Age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 19 August 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	7.305	3.826	11.131	
Health care inflation				
+ 1%	8.875	4.167	13.043	17%
- 1%	6.074	3.524	9.598	-14%
Discount rate				
+ 1%	6.092	3.529	9.621	-14%
- 1%	8.878	4.168	13.046	17%
Post-retirement mortality				
- 1 year	7.572	3.998	11.570	4%
Average retirement age				
- 1 year	7.856	3.826	11.682	5%
Continuation of membership at retirement				
- 10%	5.182	3.826	9.007	-19%

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.591	0.993	1.584	
Health care inflation				
+ 1%	0.749	1.166	1.915	21%
- 1%	0.471	0.855	1.326	-16%
Discount rate				
+ 1%	0.477	0.952	1.429	-10%
- 1%	0.742	1.038	1.780	12%
Post-retirement mortality				
- 1 year	0.612	1.033	1.645	4%
Average retirement age				
- 1 year	0.644	1.043	1.687	6%
Continuation of membership at retirement				
- 10%	0.411	0.801	1.212	-23%

20.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	1,743,542	1,658,175
Contribution during the year	406,637	358,008
Current Service Cost	286,981	237,149
Interest Cost	119,656	120,859
Payments made	(217,225)	(69,741)
Actuarial Loss/(Gain)	(55,920)	(202,900)
Total balance at year-end	1,877,034	1,743,542
Less Current Portion	354,885	390,820
Total	1,522,149	1,352,722

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	2016	2015
In-service members	<u>214</u>	<u>211</u>

The liability in respect of past service has been estimated to be as follows:

	2016 R	2015 R
In-service members	<u>1,877,034</u>	<u>1,743,542</u>
Total Unfunded Liability	<u>1,877,034</u>	<u>1,743,542</u>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2014 R	2013 R	2012 R
In-service members	<u>1,658,175</u>	<u>1,526,499</u>	<u>1,587,460</u>
Total Unfunded Liability	<u>1,658,175</u>	<u>1,526,499</u>	<u>1,587,460</u>

Experience adjustments were calculated as follows:

	2016 R	2015 R
Liabilities: (Gain)/Loss	177,960	(67,228)
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2014 R	2013 R	2012 R
Liabilities: (Gain)/Loss	85,739	(288,316)	(50,428)
Assets: Gain/(Loss)	-	-	-

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

	2016	2015
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	8.42%	7.71%
General Salary Inflation (long-term)	7.08%	6.90%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.76%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 19 August 2016.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	1.877	
General salary inflation		
+ 1%	1.984	6%
- 1%	1.779	-5%
Discount rate		
+ 1%	1.773	-6%
- 1%	1.993	6%
Average retirement age		
- 2 years	1.791	-5%
+ 2 years	1.944	4%
Withdrawal rates		
- 50%	2.285	22%

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.302	0.143	0.445	
General salary inflation				
+ 1%	0.323	0.152	0.476	7%
- 1%	0.283	0.135	0.418	-6%
Discount rate				
+ 1%	0.284	0.151	0.435	-2%
- 1%	0.322	0.135	0.457	3%
Average retirement age				
- 2 years	0.291	0.136	0.427	-4%
+ 2 years	0.312	0.149	0.461	4%
Withdrawal rates				
- 50%	0.392	0.178	0.570	28%

20.3 Other Pension Benefits

Defined Contribution Plans

Council contributes to the following defined contribution plans:

SALA Pension Fund	2,268,913	2,052,494
Cape Joint Retirement Fund	1,243,307	1,014,235
SAMWU National Provident Fund	1,487,593	1,363,061
Total	4,999,813	4,429,791

Council contributes to the SALA Pension Fund, Cape Joint Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
21 NON-CURRENT PROVISIONS		
Rehabilitation Provision - Landfill Sites	<u>4,696,482</u>	<u>4,262,350</u>
The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:		
Opening Balance	4,262,350	3,887,711
Contribution during the year	434,133	374,639
Increase in estimate	210,856	191,597
Interest Cost	223,277	183,042
Total	<u>4,696,482</u>	<u>4,262,350</u>

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated rate as determined by the municipality to illustrate the inflationary risks associated with the rehabilitation provision. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution and is also within the inflation target range of the South African Reserve Bank of between 3% to 6%. The following rate was used - 5.94% (2015 - 5.24%).

The total obligation at year-end can be attributed to the following sites:

Site	Expected Closure			
	Date	% utilised		
Aliwal North	2023	98% (2015 - 96.5%)	2,923,416	2,717,377
Jamestown	2029	65% (2015 - 60%)	1,773,066	1,544,972
Total			<u>4,696,482</u>	<u>4,262,350</u>

The provision at year end was recognised based on the % of the sites utilised. The portion of each landfill site utilised represents management's best estimate at each respective year-end.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site and the assumptions used are as follows (30 June 2012):

Item	Aliwal North	Jamestown
	R	R
Shaping and finishing (R3/m ²)	33,300	30,000
Fence (R350/m)	220,500	203,000
Storm water Diversion Measures (R60/m)	19,200	16,800
Final Landfill Cover (R150/m ²)	1,665,000	1,500,000
Preliminary and general (Rand)	51,000	51,000
Professional Fees and contingencies (Rand)	455,800	434,780
Total	<u>2,444,800</u>	<u>2,235,580</u>

22 RESERVES		
Accumulated Surplus	180,267,555	169,001,729
Total	<u>180,267,555</u>	<u>169,001,729</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

23	PROPERTY RATES	2016 R	2015 R
	Total Property Rates	17,406,376	15,616,276
	Less: Rebates	(5,997,016)	(4,613,775)
	Total	11,409,360	11,002,501

Property rate levied are based on the following ratable valuations:

Aliwal Residential	1,311,351,490	1,303,787,375
Sectional Title	30,693,006	31,251,004
Jamestown	57,599,821	57,599,821
Dukathole	276,190,320	275,150,320
Aliwal Agricultural	1,034,793,381	1,034,793,381
Dordrecht Agricultural	740,524,000	740,524,000
Total Valuation	3,451,152,018	3,443,105,901

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

Residential Properties	0.8109c/R	0.7372c/R
Commercial/Business and Industrial Properties	0.9731c/R	0.8846c/R
Public Service Infrastructure properties	0.2027c/R	0.1843c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.2027c/R	0.1843c/R
Agricultural Properties used for Commercial/Industrial purposes	0.4055c/R	0.3686c/R
Agricultural Properties used for Hunting/Trading of Game	0.4055c/R	0.3686c/R
State Owned properties	0.8109c/R	0.7372c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	1.6218c/R	1.4744c/R
Vacant Properties	1.6218c/R	1.4744c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it. The following Rebates are granted:

Indigents (Valuation exemption)	65,000	65,000
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MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

24

	2016 R	2015 R
GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants - National Government	27,487,000	25,392,000
Equitable Share	27,487,000	25,392,000
Conditional Grants - National Government	17,731,416	12,439,352
Financial Management Grant (FMG)	1,969,092	1,630,908
Municipal Systems Improvement Grant (MSIG)	930,000	934,000
Municipal Infrastructure Grant (MIG)	11,180,331	8,581,893
Skills Development Fund	78,960	91,552
Energy Efficiency and Demand Side Management Grant	2,488,033	-
Expanded Public Works Program (EPWP)	1,085,000	1,201,000
Conditional Grants - Provincial Government	-	867,020
Library Grant	-	704,000
Housing Grants	-	155,610
Other Provincial Allocations	-	7,410
Conditional Grants - District Municipality	-	-
Joe Gqabi Grant	-	-
Total	45,218,416	38,698,372
Disclosed as:		
Government Grants and Subsidies - Capital	21,001,655	7,138,989
Government Grants and Subsidies - Operating	33,227,332	31,559,383
Total	54,228,988	38,698,372
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	27,487,000	25,392,000
Budget and Treasury Office	4,199,767	3,515,010
Community and Social Services	-	704,000
Executive and Council	190,395	277,938
Planning and Development	-	6,585
Road Transport	13,398,076	6,560,867
Sport and Recreation	6,771,265	2,241,972
Electricity	2,182,485	-
Total	54,228,988	38,698,372

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2016 R	2015 R
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The movements per grant can be summarised as follows:

24.01 Equitable Share

Grants Received	28,583,000	24,296,000
Transferred to Revenue - Operating	(27,487,000)	(25,392,000)
Transferred to/(from) Receivables	(1,096,000)	1,096,000
	<u> </u>	<u> </u>
Closing Unspent Balance	<u> </u>	<u> </u>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

24.02 Financial Management Grant (FMG)

Opening Unspent Balance	169,092	-
Grants Received	1,800,000	1,800,000
Transferred to Revenue - Capital	(293,829)	-
Transferred to Revenue - Operating	(1,675,263)	(1,630,908)
	<u> </u>	<u> </u>
Closing Unspent Balance	<u> </u>	<u>169,092</u>

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

24.03 Municipal Systems Improvement Grant (MSIG)

Grants Received	930,000	934,000
Transferred to Revenue - Capital	-	(138,600)
Transferred to Revenue - Operating	(930,000)	(795,400)
	<u> </u>	<u> </u>
Closing Unspent Balance	<u> </u>	<u> </u>

The MSIG is a conditional grant used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2016 R	2015 R
	24.04 Municipal Infrastructure Grant (MIG)		
	Opening Unspent Balance	7,737,331	4,290,225
	Grants Received	11,180,000	12,029,000
	Transferred to Revenue - Capital	(10,621,331)	(7,000,389)
	Transferred to Revenue - Operating	(559,000)	(1,581,504)
	Returned to National Revenue Fund	(7,737,000)	-
	Closing Unspent Balance	<u>-</u>	<u>7,737,331</u>
	The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		
	24.05 Skills Development Fund		
	Grants Received	78,960	91,552
	Transferred to Revenue - Operating	(78,960)	(91,552)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The Skills Development fund is utilised to cover expenditure relating to training.		
	24.06 Energy Efficiency and Demand Side Management Grant		
	Grants Received	3,000,000	-
	Transferred to Revenue - Capital	(2,182,485)	-
	Transferred to Revenue - Operating	(305,548)	-
	Closing Unspent Balance	<u>511,967</u>	<u>-</u>
	The grant is utilised to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
	24.07 Expanded Public Works Program (EPWP)		
	Grants Received	1,085,000	1,201,000
	Transferred to Revenue - Operating	(1,085,000)	(1,201,000)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2016 R	2015 R
24.08 Library Grant			
	Grants Received	-	704,000
	Transferred to Revenue - Operating	-	(704,000)
	Closing Unspent Balance	<u>-</u>	<u>-</u>
	The library grants is utilised to fund the cost of providing library services within the municipal area		
24.09 Housing Grants			
	Opening Unspent Balance	2,318,300	2,473,910
	Transferred to Revenue - Operating	-	(155,610)
	Closing Unspent Balance	<u>2,318,300</u>	<u>2,318,300</u>
	The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improved quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.		
24.10 Joe Gqabi District Municipality Grant			
	Opening Unspent Balance	-	-
	Grants Received	10,391,494	-
	Transferred to Revenue - Capital	(7,904,010)	-
	Transferred to Revenue - Operating	(1,106,561)	-
	Closing Unspent Balance	<u>1,380,922</u>	<u>-</u>
	The grant is allocated for the following purposes:		
	- Street refurbishment Aliwal North		
	- Fencing of Community Hall		
	- Sports track upgrading		

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.1 Other Provincial Allocations		
Opening Unspent Balance	925,954	933,363
Transferred to Revenue - Operating	-	(7,410)
Closing Unspent Balance	<u>925,954</u>	<u>925,954</u>
Other Provincial Allocations includes grants such as:		
- Spatial Development Plan		
- Land Survey Management		
- LED Garden Project Jamestown		
24.11 Total Grants		
Opening Unspent Balance	11,150,678	7,697,498
Grants Received	57,048,453	41,055,552
Transferred to Revenue - Capital	(21,001,655)	(7,138,989)
Transferred to Revenue - Operating	(33,227,332)	(31,559,383)
Transferred to/(from) Receivables	(1,096,000)	1,096,000
Returned to National Revenue Fund	(7,737,000)	-
Closing Unspent Balance	<u>5,137,143</u>	<u>11,150,678</u>
25 FINES		
Traffic Fines	195,230	256,865
Library Fines	919	1,821
Meter Tampering	75,106	63,327
Total	<u>271,255</u>	<u>322,013</u>
26 ACTUARIAL GAINS		
Post Retirement Medical Benefits	317,155	2,146,766
Long Service Awards	55,920	202,900
Total	<u>373,075</u>	<u>2,349,666</u>
27 SERVICE CHARGES		
Electricity Revenue	68,408,268	60,979,962
Refuse Removal Revenue	11,622,263	9,724,615
Total Revenue	<u>80,030,531</u>	<u>70,704,576</u>
Less: Rebates	(11,635,977)	(10,118,407)
Electricity Revenue	(5,905,044)	(5,532,097)
Refuse Removal Revenue	(5,730,932)	(4,586,310)
Total	<u>68,394,555</u>	<u>60,586,169</u>
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
28 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	401,865	315,767
Interest Earned - Penalty Interest on Property Rates	317,153	241,120
Total	<u>719,018</u>	<u>556,887</u>
29 LICENCES AND PERMITS		
Drivers License Fees	1,406,155	1,427,003
Public License Fees	66,174	71,496
Roadworthy Certificates	33,900	174,675
Special Permits	56,451	64,017
Vehicle Registration Fees	81,646	61,233
Total	<u>1,644,325</u>	<u>1,798,424</u>
30 AGENCY SERVICES		
Commission on collections	1,452,784	1,314,395
Prodiba Fees	376,704	386,441
Total	<u>1,829,488</u>	<u>1,700,836</u>
31 OTHER INCOME		
Admission Fees	211,569	228,650
Encroachment Fees	117,993	121,097
Sundry Income	343,895	342,926
Building Plan & Inspection Fees	162,283	97,292
Sale of Game	101,400	127,231
Electricity Re-Connection Fees	576,514	346,068
Cemetery Fees	156,726	177,302
Pound Fees	764	6,989
Total	<u>1,671,143</u>	<u>1,447,555</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

32 EMPLOYEE RELATED COSTS

Basic Salaries and Wages	30,149,696	27,485,963
Pension and UIF Contributions	5,489,854	4,869,714
Medical Aid Contributions	1,410,563	1,257,305
Overtime	711,258	568,338
Performance Bonus	401,061	613,677
Bonuses	2,457,635	1,948,275
Motor Vehicle Allowance	1,896,744	2,003,313
Cellphone Allowance	87,800	100,200
Housing Allowances	355,615	79,218
Standby Allowance	1,361,294	1,272,614
Provision for compensation for injuries on duty	330,662	538,225
Provision for leave	1,889,976	205,220
Acting Allowance	139,358	131,510
Skills Development Levy	445,924	391,542
Industrial Council Levy	19,408	17,411
Long service awards	286,981	237,149
Post Retirement Medical Benefits	520,838	567,520
Total	47,954,668	42,287,194

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
32 EMPLOYEE RELATED COSTS (CONTINUED)		
Remuneration of Key Personnel		
All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:		
Remuneration of the Municipal Manager - M P Nonjola		
Basic Salary	1,204,626	1,129,400
Other benefits and allowances	36,000	36,000
Total	1,240,626	1,165,400
Remuneration of the Technical Services Manager - TE Molefe		
Basic Salary	466,585	880,266
Other benefits and allowances	10,800	10,800
Total	477,385	891,066
Remuneration of the Community and Social Services - NBB Mokhantso		
Basic Salary	952,423	738,454
Other benefits and allowances	10,800	10,800
Total	963,223	749,254
Remuneration of the Corporate and Support Services - ZE Pungwani		
Basic Salary	862,115	808,278
Other benefits and allowances	10,800	10,800
Total	872,915	819,078
Remuneration of the Chief Financial Officer - T Maseko		
Basic Salary	942,503	880,265
Other benefits and allowances	10,800	10,800
Total	953,303	891,065
33 REMUNERATION OF COUNCILLORS		
Councillors	3,017,287	2,839,918
Travelling allowance	348,885	331,175
Telephone allowance	293,616	293,616
Total	3,659,789	3,464,708
Remuneration per Councillor		
Cllr N S Mathetha Mayor	734,233	697,231
Cllr E S Mbana PR Councillor	299,023	283,482
Cllr G D Fourie PR Councillor	238,407	226,297
Cllr H du Preez PR Councillor	299,023	283,482
Cllr M Jan PR Councillor	238,407	226,297
Cllr MB Mtshingana PR Councillor	238,407	226,297
Cllr KS Lange Ward 1 Councillor	238,407	226,297
Cllr MW Mokhoabane Ward 2 Councillor	299,023	283,482
Cllr ZE Betana Ward 3 Councillor	299,023	283,482
Cllr P Williams Ward 4 Councillor	238,407	218,582
Cllr M Mdumisa Ward 5 Councillor	299,023	283,482
Cllr M Tsolanku Ward 6 Councillor	238,407	226,297
Total	3,659,789	3,464,708
34 DEBT IMPAIRMENT		
Receivables from exchange transactions	4,321,104	4,553,952
Receivables from non-exchange transactions	1,233,589	1,938,559
Total Debt Impairment	5,554,692	6,492,511
Movement in VAT included in debt impairment	(106,998)	(370,289)
Total	5,447,694	6,122,221
35 DEPRECIATION AND AMORTISATION		
Investment Property	277,224	276,842
Property, Plant and Equipment	11,638,295	11,666,225
Intangible Assets	126,357	110,896
Total	12,041,876	12,053,963

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

36 IMPAIRMENTS

Property, Plant and Equipment - Capitalised Restoration		
Cost	210,856	191,597
Total	210,856	191,597

37 REPAIRS AND MAINTENANCE

Land and Buildings	308,626	331,934
Investment Property	112,563	49,237
Tools and equipment	59,053	135,847
Furniture and office equipment	37,739	123,981
Vehicles and Implements	371,175	628,394
Streets and stormwater	773,476	1,526,032
Landfill Site	88,138	95,069
Electricity Reticulation	595,128	643,108
Fencing	1,624	10,890
Street Lights	104,374	140,860
Other	-	5,707
Total	2,451,895	3,691,058

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
38 ACTUARIAL LOSSES		
Post Retirement Medical Benefits	-	-
Long Service Awards	-	-
Total	-	-
39 FINANCE CHARGES		
Annuity Loans	317,168	327,009
Actual Payments	181,801	192,067
Unwinding of discounted interest	135,367	134,942
Finance Leases	62,095	165,535
Hire Purchases	228,897	232,555
Rehabilitation Provision - Landfill Sites	223,277	183,042
Post Retirement Medical Benefits	911,430	1,003,541
Long Service Awards	119,656	120,859
Overdraft Facilities	9	38
Interest on Overdue Accounts	5,868,678	5,198,605
Total	7,731,210	7,231,183
40 BULK PURCHASES		
Electricity	53,944,937	47,788,844
Total	53,944,937	47,788,844
41 TRANSFERS AND GRANTS		
Indigent Subsidies	605,644	391,251
Total	605,644	391,251
42 OPERATING GRANT EXPENDITURE		
Expanded Public Works Program	1,082,989	1,201,000
Financial and Systems Management	2,240,687	2,113,748
Valuation Costs	100,395	27,328
Total	3,424,070	3,342,076
43 OTHER EXPENDITURE		
Advertisements	206,322	437,990
Audit Fees	2,354,600	3,784,579
Bank Charges and other related costs	200,215	227,242
Books, Publications and magazines	3,848	50,143
Cleaning Materials and Chemicals	78,795	128,961
Commission Prepaid Vendors	1,095,268	1,063,269
Electricity (Eskom)	177,049	223,427
Insurance	645,444	740,316
Integrated development planning	7,300	23,461
Legal Costs	269,566	75,747
License Fees	936,814	1,107,464
Local Government Activities	25,385	106,945
Membership Fees	1,075,810	531,571
Postage	18,924	127,076
Printing and Stationary	228,847	356,820
Professional Services	111,983	280,580
Projects from own funds	465,247	701,086
Protective Clothing	835,146	19,328
Security Services	1,250,728	1,121,193
Subsistence and Travelling	990,627	1,145,144
Telephone Charges	768,756	984,334
Training	965,050	972,006
Transport Costs	-	33,500
Vehicle: Fuel & Oil	1,054,026	1,226,955
Water Purchases	2,088	79,038
General Expenses	113,182	945,217
Total	13,881,019	16,493,392
44 FAIR VALUE ADJUSTMENTS		
Biological Assets	276,100	376,609
Total	276,100	376,609

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

45 PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATION IN TERMS OF GRAP 1

45.1 STATEMENT OF FINANCIAL POSITION

The following items were reclassified on the face of the statement of financial position to ensure improved reporting to the users of the financial statements. These adjustments does not constitute a prior year error in terms of GRAP 3.

Unpaid Government Grants and Receipts	(1,096,000)
Receivables from non-exchange transactions	1,096,000
Effect on Current Assets	-

46 PRIOR PERIOD ADJUSTMENTS - ERRORS IN TERMS OF GRAP 3

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

46.1 CASH AND CASH EQUIVALENTS

Balance Previously Reported	13,505,738
EFT's and Cheques raised in error during 2014/15 - Refer to note 46.8	13,389
Restated Balance on 30 June 2015	<u>13,519,127</u>

46.2 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported	8,590,155
Correction of various discrepancies identified on receivables up to 30 June 2014 - Refer to note 46.7	(82,791)
Effect on Electricity	(34,025)
Effect on Refuse	(47,176)
Effect on Other Arrears	(1,590)
Correction of various discrepancies identified on receivables during 2014/2015 - Refer to note 46.8	(39,634)
Effect on Electricity	(11,857)
Effect on Refuse	(16,232)
Effect on Other Arrears	(11,545)
Restated Balance on 30 June 2015	<u>8,507,364</u>

46.3 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance Previously Reported	2,060,233
Reclassification recognised - Refer to note 45.1	1,096,000
Correction of various discrepancies identified on receivables up to 30 June 2014 - Refer to note 46.7	(20,524)
Effect on Rates	(20,524)
Correction of various discrepancies identified on receivables during 2014/2015 - Refer to note 46.8	(126,620)
Effect on Rates	(127,721)
Effect on Staff Receivables	1,101
Restated Balance on 30 June 2015	<u>3,009,089</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

46.4 PROPERTY PLANT AND EQUIPMENT

Balance Previously Reported	204,779,096
Office Equipment and Tools previously written off during 2013/2014 now verified.	1,119
Effect on Cost up to 30 June 2014	4,348
Effect on Accumulated Depreciation up to 30 June 2014	(2,903)
Effect on Depreciation During 2014/15	(327)
Office Equipment and Tools previously written off during 2014/2015 now verified.	46,596
Effect on Disposals (Cost)	179,163
Effect on Disposals (Accumulated Depreciation)	(137,526)
Effect on Depreciation During 2014/15 (Review of zero items)	4,958
Restated Balance on 30 June 2015	204,826,811

46.5 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported	76,666,439
Correction of various discrepancies identified on receivables during 2014/2015 - Refer to note 46.2	(2,252)
Correction of payables incorrectly not accrued for on 30 June 2015 - Refer to note 46.8	320,620
Unidentified deposits dating back to 2008/2009 previously not recognised as revenue - Refer to note 46.7	(66,770)
Restated Balance on 30 June 2015	76,918,039

46.6 PROVISIONS

Balance Previously Reported	305,902
Final Assessment relating to Workmens Compensation not raised on 30 June 2015 - Refer to note 46.8	232,324
Restated Balance on 30 June 2015	538,225

46.7 ACCUMULATED SURPLUS

Balance Previously Reported	169,694,117
Prior Period Adjustments relating to the 2014/2015 financial year - Refer to note 46.8	(657,288)
Prior Period Adjustments relating to years commencing on or prior to 30 June 2014	(35,101)
Asset Previously written off now verified - Refer to note 46.4	1,446
Correction of various discrepancies identified on receivables up to 30 June 2014 - Refer to note 46.2	(82,791)
Correction of various discrepancies identified on receivables up to 30 June 2014 - Refer to note 46.3	(20,524)
Unidentified deposits dating back to 2008/2009 previously not recognised as revenue - Refer to note 46.5	66,770
Restated Balance on 30 June 2015	169,001,729

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

46.8 STATEMENT OF FINANCIAL PERFORMANCE

Balance Previously Reported	(21,537,516)
Final Assessment relating to Workmens Compensation not raised on 30 June 2015 - Refer to note 46.6	(232,324)
Asset Previously written off now verified (Depreciation) - Refer to note 46.4	(327)
Office Equipment and Tools previously written off during 2014/2015 now verified - Refer to note 46.4	46,596
Effect on Loss on Disposal of PPE	41,638
Effect on Depreciation	4,958
Correction of various discrepancies identified on receivables during 2014/2015 - Refer to note 46.2	(37,382)
Effect on Service Charges	(28,037)
Effect on Rental of Facilities and Equipment	(24)
Effect on Interest Earned - Outstanding Debtors	(345)
Effect on Other Income	(8,977)
Correction of various discrepancies identified on receivables during 2014/2015 - Refer to note 46.3	(126,620)
Effect on Property Rates	(122,710)
Effect on Interest Earned - Outstanding Debtors	(5,011)
Effect on Employee Related Costs	1,101
Correction of payables incorrectly not accrued for on 30 June 2015 - Refer to note 46.5	(320,620)
Effect on Property Rates Rebates	(25,126)
Effect on Repairs and Maintenance	(14,516)
Effect on Finance Charges	(197)
Effect on Bulk Purchases	(25,838)
Effect on Other Expenditure	(254,943)
EFT's and Cheques raised in error during 2014/15 - Refer to note 46.1	13,389
Effect on Service Charges	1,526
Effect on Repairs and Maintenance	10,811
Effect on Other Expenditure	1,053
Restated Balance on 30 June 2015	<u>(22,194,804)</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

47	NET CASH FROM OPERATING ACTIVITIES	2016 R	2015 R
	Net Surplus/(Deficit) for the year	11,265,826	(22,194,804)
	Adjusted for:		
	Non-Cash Expenditure and Revenue	18,344,992	17,765,146
	Actuarial Gains	(373,075)	(2,349,666)
	Gain on disposal of PPE	(731,947)	(392,609)
	Debt Impairment	5,447,694	6,122,221
	Depreciation and Amortisation	12,041,876	12,053,963
	Impairments	210,856	191,597
	Actuarial losses	-	-
	Finance Charges	1,389,730	1,442,384
	Fair Value Adjustments	276,100	376,609
	Loss on disposal of PPE	83,757	320,647
	Contributions - Provisions and Employee Benefits	5,887,153	4,110,066
	Post Retirement Medical Benefits	520,838	567,520
	Long Service Awards	286,981	237,149
	Performance Bonuses	401,061	613,677
	Bonuses	2,457,635	1,948,275
	Staff Leave	1,889,976	205,220
	Compensation for Injury on Duty	330,662	538,225
	Expenditure - Provisions and Employee Benefits	(5,499,055)	(3,582,958)
	Post Retirement Medical Benefits	(318,560)	(367,851)
	Long Service Awards	(217,225)	(69,741)
	Performance Bonuses	(1,555,476)	-
	Bonuses	(2,217,585)	(1,914,623)
	Staff Leave	(634,708)	(872,681)
	Compensation for Injury on Duty	(555,501)	(358,063)
	Other adjustments	(10,927,615)	(2,923,349)
	Bad Debts Written Off	(3,190,615)	(2,953,240)
	Compensation for Injury on Duty (Penalty)	-	29,890
	Grants Withheld	(7,737,000)	-
	Operating Surplus before changes in working capital	19,071,301	(6,825,900)
	Movement in working capital	1,252,207	21,580,233
	Receivables from exchange and non-exchange transactions	(2,628,212)	(3,984,090)
	Inventory	360,102	87,876
	Payables from exchange transactions	2,887,452	25,101,698
	Unspent Conditional Government Grants	1,723,466	3,453,180
	Taxes	(1,090,600)	(3,078,430)
	Cash Flow from Operating Activities	20,323,508	14,754,333

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016	2015
	R	R
48 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Current Accounts	844,949	1,020,651
Call Investments and Notice Deposits	4,013,732	12,494,424
Cash Floats	5,052	4,052
Total	4,863,732	13,519,127

Refer to note 2 for more details relating to cash and cash equivalents.

49 BUDGET COMPARISONS

49.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

49 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Operating Grant Expenditure, Fair Value Adjustments and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

49.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

Refer to separate Management comments.

Statement of financial position - Budget versus Actual

Spending on Municipal Infrastructure Grant (MIG) funding was much quicker than the expected spending

Statement of financial performance - Budget Adjustments

Refer to separate Management comments.

Statement of financial performance - Budget versus Actual

Budget was based on anticipated high demand on electricity consumption and billing. Budget was based on

Cash Flow Statement - Budget Adjustments

Refer to separate Management comments.

Cash Flow Statement - Budget versus Actual

Refer to separate Management comments.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
50		
50.1 UNAUTHORISED EXPENDITURE		
Unauthorised expenditure consist out of the following:		
Opening balance	17,285,388	17,892,556
Unauthorised expenditure current year - operating	18,766,176	15,089,170
Unauthorised expenditure current year - capital	748,238	432,669
Approved by Council	-	(16,129,007)
Unauthorised expenditure awaiting approval	36,799,802	17,285,388

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis was performed and submitted to Council to condone.

	2016 (Actual) R	2016 (Final Budget) R	2016 (Unauthorised) R
Unauthorised expenditure - Operating			
Executive and Council	14,609,862	17,667,741	-
Planning and Development	2,834,325	2,477,898	356,427
Budget and Treasury Office	34,775,093	28,389,279	6,385,814
Public Safety	3,645,861	4,321,359	-
Road Transport	14,053,433	8,293,661	5,759,772
Other	320,707	151,131	169,576
Waste Management	11,451,082	11,237,097	213,985
Sport and Recreation	2,509,565	2,866,962	-
Community and Social Services	2,754,975	3,039,850	-
Housing	1,102,531	1,090,430	12,101
Electricity	63,656,080	57,787,579	5,868,501
Total	151,713,515	137,322,987	18,766,176
Unauthorised expenditure - Capital			
Executive and Council	413,930	60,000	353,930
Budget and Treasury Office	788,452	540,000	248,452
Public Safety	1,421	30,000	-
Road Transport	13,410,044	14,347,327	-
Waste Management	210,856	65,000	145,856
Sport and Recreation	11,061,329	12,666,334	-
Community and Social Services	3,250	60,000	-
Housing	-	30,000	-
Electricity	2,253,785	2,661,600	-
Donated Assets	1,345,155	-	-
Total	29,488,221	30,460,261	748,238

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
50.2 FRUITLESS AND WASTEFUL EXPENDITURE		
Fruitless and wasteful expenditure consist out of the following:		
Opening balance	5,470,517	2,962,162
Fruitless and wasteful expenditure incurred	5,943,376	5,280,150
Approved by Council	-	(2,771,795)
Fruitless and wasteful expenditure awaiting approval	11,413,893	5,470,517

Details of Fruitless and wasteful expenditure incurred :

Interest on late payments	5,868,687	5,198,446
Penalties incurred (Workmens Compensation)	-	29,890
Penalties incurred (South African Revenue Services)	74,689	51,814
Total	5,943,376	5,280,150

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

50.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	798,850	5,160
Irregular expenditure incurred	904,273	798,850
Approved by Council	-	(5,160)
Irregular expenditure awaiting approval	1,703,123	798,850

Details of Irregular expenditure incurred :

Non-Compliance with Supply Chain: Tax Matters not in order	904,273	798,850
Total	904,273	798,850

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

50.4 MATERIAL LOSSES

Electricity distribution losses		
- Units purchased (Kwh)	64,289,203	64,480,610
- Units sold (Kwh)	55,639,378	59,639,387
- Units lost during distribution (Kwh)	8,649,825	4,841,223
- Percentage lost during distribution	13.45%	7.51%
- Rand Value of Loss	5,017,375	2,221,777

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	2016 R	2015 R
51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
51.1 Salga Contributions [MFMA 125 (1)(b)]		
Opening balance	-	-
Expenditure incurred	530,800	433,300
Payments	-	(433,300)
Payments in advance	530,800	-
51.2 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	1,276,433	-
Expenditure incurred	2,355,006	3,784,579
External Audit - Auditor-General	2,130,710	3,721,990
Internal Audit	181,098	1,415
Audit Committee	43,198	61,175
Payments	-	(2,508,146)
Outstanding Balance	3,631,439	1,276,433
51.3 VAT [MFMA 125 (1)(c)]		
Opening balance	(311,210)	(269,710)
Amounts received - current year	(1,713,472)	(1,204,569)
Amounts paid - current year	1,480,318	2,938,989
Amounts paid - previous year	85,808	44,307
Amounts claimed - current year	2,809,169	1,204,569
Amounts payable - current year	(1,480,318)	(3,024,797)
Outstanding Balance	870,295	(311,210)
Vat in suspense due to cash basis of accounting	5,473,103	5,564,008
VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.		
51.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening balance	452,778	-
Payments due to SARS	6,848,787	5,342,464
Payments	(6,801,954)	(4,889,686)
Outstanding Balance	499,611	452,778

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

		2016	2015
		R	R
51	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
	51.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
	Payments due to pension fund and medical aid	10,115,073	9,608,505
	Payments	(10,115,073)	(9,608,505)
	Outstanding Balance	-	-

51.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

No Councillor had any arrear account outstanding for more than 90 days during the year or at year end (Same applies to previous financial year).

51.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.

Impractical to follow SCM process	582,553	1,239,020
Emergency	58,892	44,255
Single Provider	41,924	211,413
Total	683,369	1,494,688

51.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

		2016	2015
		R	R
51	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
	51.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE		
	During the year under review, the municipality engaged with the following employees in service of the state (SCM 44)		
	<u>Name (State institution)</u> <u>Supplier name</u>		
	J Niehaus (Department of Health) Mubesko Africa (Pty) Ltd	-	543,355
	Total	-	543,355

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

52 CAPITAL COMMITMENTS

Approved and contracted for - Infrastructure	10,671,324	17,856,029
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All Commitments will be financed from Government Grants.

53 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

53.1 Credit Risk

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

The following financial assets are exposed to credit risk:

	2016 R	2015 R
Cash and Cash Equivalents	4,863,732	13,519,127
Receivables from exchange transactions	9,549,719	8,467,730
Receivables from non-exchange transactions	769,612	658,846
Non-Current Investments	833,637	780,905
Total	16,016,700	23,426,607

Cash and Cash Equivalents and Non-Current Investments

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to notes 3 and 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

	2016 R	2015 R
Rates	4,217,025	461,705
Electricity	2,434,858	327,120
Refuse	4,418,638	683,077
Other	1,298,562	254,024
Total	12,369,082	1,725,927

Rates is not considered to be a financial asset, but is included in analysis for user purposes.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

53.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

The financial instruments of the municipality is not directly exposed to any currency risk.

53.3 Interest rate risk (Market Risk)

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.

	2016 R	2015 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	4,858,680	13,515,075
Non-Current Investments	833,637	780,905
Long-term Liabilities (Including Current Portion)	(4,316,230)	(4,987,489)
Non-Current Provisions	(4,696,482)	(4,262,350)
Net balance exposed	<u>(3,320,394)</u>	<u>5,046,141</u>

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

1% (2015 - 1%) increase in interest rates	(33,204)	50,461
0% (2015 - 0%) decrease in interest rates	-	-

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

53.4 Liquidity risk

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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2016	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	405,559	1,622,236	2,634,940
Hire Purchases	933,636	1,294,482	-
Rehabilitation Provision	-	-	7,725,973
Payables from exchange transactions	77,261,863	-	-
Unspent Conditional Government Grants	5,137,144	-	-
Total	<u>83,738,202</u>	<u>2,916,719</u>	<u>10,360,913</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

30 JUNE 2015	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	405,559	1,622,236	3,039,622
Hire Purchases	990,088	1,112,431	-
Finance Lease	699,243	-	-
Rehabilitation Provision	-	-	7,254,414
Payables from exchange transactions	74,371,574	-	-
Unspent Conditional Government Grants	11,150,679	-	-
Total	87,617,143	2,734,667	10,294,036

Although the rehabilitation provision, the unspent conditional government grant and unspent public contribution is not defined as a financial instrument (due to the absence of a contracted counterparty for the balance), the potential outflow of cash resulting from these balances are included for the benefit of the user of the financial statements.

53.5 Other price risk (Market 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.

The municipality is not exposed to any other price risk.

54 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

Financial Assets

Cash and Cash Equivalents	4,863,732	13,519,127
Receivables from exchange transactions	9,549,719	8,467,730
Receivables from non-exchange transactions	769,612	658,846
Non-Current Investments	833,637	780,905
Total	16,016,700	23,426,607

Financial Liabilities

Current Portion of Long-term Liabilities	232,729	1,700,297
Payables from exchange transactions	77,261,863	74,371,574
Unspent Conditional Government Grants	5,137,144	11,150,679
Long-term Liabilities	3,318,760	3,287,192
Total	85,950,496	90,509,742

55 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from Non-Exchange Transactions

Rates	5,153,630	3,867,926
Taxes	6,343,397	5,252,797
Total	11,497,028	9,120,723

Refer to note 4 for more detail relating to the government grants and rates receivables, including any provision for impairment raised against the gross amounts disclosed above

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

56 EVENTS AFTER REPORTING DATE

56.1 Amalgamation - Maletswai - and Gariep Local Municipality

Amalgamation - Maletswai and Gariep Local Municipality as Walter Sisulu Local Municipality

The Minister of Co-operative Governance and Traditional Affairs requested the Municipal Demarcation Board to re-determine the boundaries of Maletswai and Gariep Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Municipal Demarcation Board notified the public of its intention to re-determine the municipal boundaries and invited written representations and views in terms of section 26 of the Local Government Municipal Demarcation Board Act, (MDA) 1998. Public meetings in all affected areas were held in terms section 28 of the MDA and the Board published the section notices inviting objections after which the boundary determinations will take effect in terms of section 23 notice of MDA. Subsequent to the consultations, the Municipal Demarcation Board gazetted the outcome of the Section 23 notice, notifying the members of the public on the municipal ward boundaries.

The Member of the Executive Council (MEC) responsible for Co-operative Governance and Traditional Affairs in the Eastern Cape Province, under the powers vested in him in section 14(5) of the Local Government Municipal Structures Act, and in consultation with the affected municipalities (Gariep and Maletswai) gazetted the provisions for transitional measures to facilitate the de-establishment of the existing municipalities and the establishment of a new municipality, in terms of section 14(5) of the Local Government Municipal Structures Act, 1998.

The Member of the Executive Council (MEC) responsible for Co-operative Governance and Traditional Affairs in the Eastern Cape Province under the powers vested in him in terms of section 12, 14 and 17 of the Local Government Municipal Structures Act de-established Gariep and Maletswai Municipalities and established Walter Sisulu Local Municipality and was duly published on the provincial gazette number 3717 dated 08 August 2016.

57 IN-KIND DONATIONS AND ASSISTANCE

The municipality received donated assets to the value of R 1 345 155 (2015 - R 50 815) during the year under review.

58 PRIVATE PUBLIC PARTNERSHIPS (PPP'S)

The municipality did not enter into any PPP's in the current and prior year.

59 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

59.1

Matthews Mbobo, Amanda Mbobo and Playlink Singers - Claims of R100 000 (2015 - R 100 000) from the municipality made on 29 May 2014 regarding the special and general damages suffered by the claimant for economic loss incurred in making 800 tickets which were sold in advance, advertising, making beamers and posters, making tickets, possible profit, possible selling of CDs and DVDs, booking, rental and deposit paid, inconvenience, humiliation, impairment of dignity and reputation resulting from an erroneous allocation or booking of the same venue to two different events at the same time. Adequate notice for cancellation was not given to the claimant for alternative arrangements. The municipality has opted to defend the case.

The outflow of the future economic benefits will be confirmed by the outcome of the court ruling, an event that will occur subsequent to year end over which the municipality has no control.

The municipality is not expecting any re-imburement on the damages made against it and no contingent asset has been recognised.

The municipality is not expecting any re-imburement on the damages made against it and no contingent

59.2

The trustees of the Pollard Familie Trust has submitted a litigation claim for damages made the municipality's buffaloes that broke out of the nature reserve and grazed on the farm of the applicant. The applicant's farm is mostly veld pasture with approximately 22 hectares of planted pastures, currently under Lucerne cultivation. The applicant established the Lucerne explicitly for hay production as an income for the farm. The applicant has suffered damages due to the Respondent's buffaloes' unauthorised grazing on the Lucerne pastures.

The applicant is suing the municipality for R940 642

60 RELATED PARTIES

Related parties are defined in note 1.36

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 32 and 33

The municipality engaged with related entities in service of the state (SCM 44) - Refer to note 51.9

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

The Municipal Manager of the Maletswai Local Municipality is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

Maletswai Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

61 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The number of days it takes to collect money from consumer debtors has increased from the prior year and this has placed constraints on the cash flow resulting in delays in settling the creditors.

Although the debtors' collection period has increased compared to prior year, management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in electricity usage to the value of R 5 017 375 (2015 - R 2 221 777). This represents a loss of 13.45% (2015 - 7.51%).

Operating Indicators

No capital grant funds were utilised for operations in the 2014/2015 and 2015/2016 financial year.

A significant increase is noted in the amount of payables outstanding at year-end R 21 039 789 (2015 - R 24 783 329). This increase can mainly be attributed to Eskom and Joe Gqabi District Municipality.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 50 above.

MALETSWAI LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2016

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2015 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2016 R
<u>ANNUITY LOANS</u>							
DBSA	102312	5.00%	2027/09/30	3,734,840	-	(221,042)	3,513,798
Total Annuity Loans				3,734,840	-	(221,042)	3,513,798
<u>HIRE PURCHASES</u>							
ABSA (TATA Truck)	81205030	10.25%	2016/08/05	120,273	-	(110,509)	9,765
ABSA (Isuzu KB200I LWB)	80693198	Settled	2016/02/15	23,926	-	(23,926)	-
ABSA (2011 Rear Tipping Trailer)	80693759	Settled	2016/02/15	12,535	-	(12,535)	-
ABSA (2010 Vibrating Roller)	80693899	Settled	2016/02/15	22,438	-	(22,438)	-
ABSA (Isuzu KB200I Fleetside)	80698530	Settled	2016/02/15	30,483	-	(30,483)	-
ABSA (Sonalinka Tractor)	80701808	Settled	2016/02/15	34,310	-	(34,310)	-
ABSA (Mazda CX 7)	80993701	Settled	2016/05/01	79,532	-	(79,532)	-
ABSA (TATA Water Truck)	83338631	10.25%	2017/12/15	448,442	-	(164,896)	283,546
ABSA (Nissan UD 330)	83577440	10.25%	2018/03/01	985,373	-	(324,821)	660,552
ABSA (Isuzu KB 200I)	83520421	10.25%	2018/03/01	101,587	-	(33,487)	68,100
FNB (CHEVROLET TRAILBLAZER)	85237353353	10.25%	2020/10/01	-	463,720	(46,532)	417,188
FNB (NISSAN NP200 1.6)	85237353492	10.25%	2020/10/01	-	163,062	(16,362)	146,700
FNB (Chevrolet Aveo)	85237353505	10.25%	2020/10/01	-	181,410	(18,203)	163,207
FNB (Chevrolet Aveo)	85237353517	10.25%	2020/10/01	-	181,410	(18,203)	163,207
Total Hire Purchases				1,858,900	989,603	(936,238)	1,912,265
<u>FINANCE LEASES</u>							
MTN Rental		17.82%	2015/12/31	29,666	-	(29,666)	-
NRG Rental		17.34%	2016/06/30	609,284	-	(609,284)	-
Total Finance Leases				638,950	-	(638,950)	-
Total Long-Term Liabilities				6,232,690	989,603	(1,796,229)	3,513,798

MALETSWAI LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2016

VOTE	30 JUNE 2016			30 JUNE 2015		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Council	191,553	(9,955,792)	(9,764,239)	2,468,254	(12,067,670)	(9,599,416)
Municipal Manager	-	(3,170,161)	(3,170,161)	-	(3,366,463)	(3,366,463)
Strategic Services	-	(1,483,909)	(1,483,909)	-	-	-
Corporate Services	723,565	(8,454,234)	(7,730,669)	642,464	(8,410,353)	(7,767,890)
Occupational Health & Safety	-	-	-	-	(8,220)	(8,220)
Financial Services	33,644,674	(22,561,536)	11,083,138	30,330,216	(23,502,585)	6,827,632
Assessment Rates	11,409,360	-	11,409,360	11,002,501	-	11,002,501
Administration and Land Affairs	1,986,597	(2,568,096)	(581,499)	1,718,836	(2,430,381)	(711,545)
Information and Communication Technology	293,829	(1,191,227)	(897,399)	-	-	-
Integrated Development Planning	-	(463,255)	(463,255)	-	(359,957)	(359,957)
Special Program Unit	-	(406,085)	(406,085)	-	(493,381)	(493,381)
Local Economic Development	-	(506,918)	(506,918)	6,585	(522,933)	(516,347)
Planning and Economic Development	-	(1,458,067)	(1,458,067)	-	-	-
Community Services	-	(1,417,873)	(1,417,873)	50,815	(1,767,231)	(1,716,416)
Cemetery	156,959	(1,985)	154,974	177,302	(4,781)	172,522
Libraries	3,778	(1,268,190)	(1,264,412)	708,298	(1,422,501)	(714,203)
Conference Centre	69,507	(65,297)	4,210	119,201	(94,016)	25,184
Museum	-	(1,630)	(1,630)	-	(1,737)	(1,737)
Housing	-	(1,102,531)	(1,102,531)	-	(1,741,678)	(1,741,678)
Traffic	3,600,337	(3,645,861)	(45,525)	3,691,566	(3,611,096)	80,470
Sport Grounds	6,773,812	(10,856)	6,762,956	2,254,796	(28,170)	2,226,626
Aliwal Spa	1,653,449	(2,498,708)	(845,259)	319,512	(2,836,990)	(2,517,478)
Refuse Removal	5,894,095	(7,720,925)	(1,826,830)	5,144,755	(6,829,971)	(1,685,216)
Parks and Public Places	-	(3,730,157)	(3,730,157)	2,293	(3,427,146)	(3,424,853)
Technical Services	2,697	(893,642)	(890,945)	1,548	(1,251,235)	(1,249,686)
Public Works	13,426,051	(13,159,792)	266,260	6,596,132	(12,630,697)	(6,034,565)
Electricity	82,736,663	(63,656,080)	19,080,583	55,920,017	(56,470,449)	(550,432)
Aerodrome	13,963	(25,431)	(11,468)	13,365	(77,824)	(64,460)
Commonage	286,368	(3,171)	283,197	257,899	(3,390)	254,509
Nature Reserve	112,083	(292,105)	(180,022)	133,583	(393,888)	(260,305)
Total	162,979,341	(151,713,515)	11,265,826	121,559,940	(143,754,744)	(22,194,804)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (GFS) FOR THE YEAR ENDING 30 JUNE 2016

VOTE	30 JUNE 2016			30 JUNE 2015		
	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R
Executive and Council	191,553	(14,609,862)	(14,418,310)	2,468,254	(15,434,134)	(12,965,880)
Planning and Development	-	(2,834,325)	(2,834,325)	6,585	(1,376,271)	(1,369,686)
Budget and Treasury Office	48,058,026	(34,775,093)	13,282,933	43,694,017	(34,351,539)	9,342,478
Public Safety	3,600,337	(3,645,861)	(45,525)	3,691,566	(3,611,096)	80,470
Road Transport	13,428,748	(14,053,433)	(624,685)	6,597,681	(13,881,932)	(7,284,251)
Other	412,414	(320,707)	91,707	404,847	(475,102)	(70,255)
Waste Water Management	-	-	-	-	-	-
Waste Management	5,894,095	(11,451,082)	(5,556,987)	5,147,048	(10,257,117)	(5,110,069)
Sport and Recreation	8,427,261	(2,509,565)	5,917,697	2,574,309	(2,865,161)	(290,852)
Community and Social Services	230,245	(2,754,975)	(2,524,730)	1,055,616	(3,290,266)	(2,234,650)
Health	-	-	-	-	-	-
Housing	-	(1,102,531)	(1,102,531)	-	(1,741,678)	(1,741,678)
Water	-	-	-	-	-	-
Electricity	82,736,663	(63,656,080)	19,080,583	55,920,017	(56,470,449)	(550,432)
Total	162,979,341	(151,713,515)	11,265,826	121,559,940	(143,754,744)	(22,194,804)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2016

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	GRANTS WITHELD BY NT	TRANSFERRED (FROM)/TO RECEIVABLES	CLOSING BALANCE
	R	R	R	R	R	R	R
NATIONAL GOVERNMENT							
Equitable Share	-	28,583,000	(27,487,000)	-	-	(1,096,000)	-
Financial Management Grant (FMG)	169,092	1,800,000	(1,675,263)	(293,829)	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	930,000	(930,000)	-	-	-	-
Municipal Infrastructure Grant (MIG)	7,737,331	11,180,000	(559,000)	(10,621,331)	(7,737,000)	-	-
Skills Development Fund	-	78,960	(78,960)	-	-	-	-
Energy Efficiency and Demand Side Management Grant	-	3,000,000	(305,548)	(2,182,485)	-	-	511,967
Expanded Public Works Program (EPWP)	-	1,085,000	(1,085,000)	-	-	-	-
Total	7,906,424	46,656,960	(32,120,771)	(13,097,645)	(7,737,000)	(1,096,000)	511,967
PROVINCIAL GOVERNMENT							
Spatial Development Plan	361,000	-	-	-	-	-	361,000
1218 Link Houses	271,617	-	-	-	-	-	271,617
330 Houses	168,331	-	-	-	-	-	168,331
Area 5 Services	63,514	-	-	-	-	-	63,514
Hilton 89 Houses	6,746	-	-	-	-	-	6,746
Area 13 - Fund	98,454	-	-	-	-	-	98,454
318 Houses Jamestown	373,367	-	-	-	-	-	373,367
Jamestown 858 Houses Planning	6,090	-	-	-	-	-	6,090
Jamestown 858 Houses	639,778	-	-	-	-	-	639,778
838 Wornings Fonds	690,403	-	-	-	-	-	690,403
Land Survey Management	467,500	-	-	-	-	-	467,500
LED Garden Project Jamestown	97,454	-	-	-	-	-	97,454
Total	3,244,255	-	-	-	-	-	3,244,255
DISTRICT MUNICIPALITY							
Joe Gqabi District Municipality Grant	-	10,391,494	(1,106,561)	(7,904,010)	-	-	1,380,922
Total	-	10,391,494	(1,106,561)	(7,904,010)	-	-	1,380,922
ALL SPHERES GOVERNMENT							
	11,150,679	57,048,453	(33,227,332)	(21,001,655)	(7,737,000)	(1,096,000)	5,137,144

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE OUTCOME 2015 R
REVENUE						
Governance and administration	50,362,800	967,600	51,330,400	48,249,578	(3,080,822)	46,162,271
Executive and council	2,557,000	-	2,557,000	191,553	(2,365,447)	2,468,254
Budget and treasury office	44,755,000	967,600	45,722,600	48,058,026	2,335,426	43,694,017
Corporate services	3,050,800	-	3,050,800	-	(3,050,800)	-
Community and public safety	6,589,400	3,800,000	10,389,400	12,257,842	1,868,442	7,321,490
Community and social services	1,188,800	-	1,188,800	230,245	(958,555)	1,055,616
Sport and recreation	460,400	3,800,000	4,260,400	8,427,261	4,166,861	2,574,309
Public safety	4,940,200	-	4,940,200	3,600,337	(1,339,863)	3,691,566
Economic and environmental services	23,699,400	22,400,000	46,099,400	13,428,748	(32,670,652)	6,604,266
Planning and development	11,849,700	11,200,000	23,049,700	-	(23,049,700)	6,585
Road transport	11,849,700	11,200,000	23,049,700	13,428,748	(9,620,952)	6,597,681
Trading services	82,575,800	-	82,575,800	88,630,758	6,054,958	61,067,065
Electricity	73,432,900	-	73,432,900	82,736,663	9,303,763	55,920,017
Waste management	9,142,900	-	9,142,900	5,894,095	(3,248,805)	5,147,048
Other	379,600	-	379,600	412,414	32,814	404,847
Total Revenue - Standard	163,607,000	27,167,600	190,774,600	162,979,341	(27,795,259)	121,559,940

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE OUTCOME 2015 R
EXPENDITURE						
Governance and administration	43,680,600	2,288,273	45,968,873	49,384,955	3,416,083	49,785,673
Executive and council	17,278,200	318,231	17,596,431	14,609,862	(2,986,569)	15,434,134
Budget and treasury office	14,828,300	146,695	14,974,995	34,775,093	19,800,098	34,351,539
Corporate services	11,574,100	1,823,346	13,397,446	-	(13,397,446)	-
Community and public safety	11,574,200	162,253	11,736,453	10,012,932	(1,723,521)	11,508,200
Community and social services	3,158,300	85,034	3,243,334	2,754,975	(488,359)	3,290,266
Sport and recreation	2,928,200	128,762	3,056,962	2,509,565	(547,397)	2,865,161
Public safety	4,402,300	(56,573)	4,345,727	3,645,861	(699,865)	3,611,096
Housing	1,085,400	5,030	1,090,430	1,102,531	12,101	1,741,678
Economic and environmental services	13,133,600	(566,355)	12,567,245	16,887,759	4,320,513	15,258,203
Planning and development	2,699,800	(541,902)	2,157,898	2,834,325	676,427	1,376,271
Road transport	10,433,800	(24,453)	10,409,347	14,053,433	3,644,086	13,881,932
Trading services	69,090,700	(12,644)	69,078,056	75,107,162	6,029,106	66,727,566
Electricity	57,782,900	54,059	57,836,959	63,656,080	5,819,121	56,470,449
Waste management	11,307,800	(66,703)	11,241,097	11,451,082	209,985	10,257,117
Other	194,700	(43,569)	151,131	320,707	169,576	475,102
Total Expenditure - Standard	137,673,800	1,827,958	139,501,758	151,713,515	12,211,757	143,754,744
Surplus/(Deficit) for the year	25,933,200	25,339,642	51,272,842	11,265,826	(40,007,017)	(22,194,804)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATED OUTCOME 2015 R
REVENUE						
Executive and council	2,557,000	-	2,557,000	191,553	(2,365,447)	2,468,254
Budget and treasury office	47,805,800	967,600	48,773,400	48,058,026	(715,374)	43,694,017
Corporate services	-	-	-	-	-	-
Community and social services	1,188,800	-	1,188,800	230,245	(958,555)	1,055,616
Sport and recreation	460,400	3,800,000	4,260,400	8,427,261	4,166,861	2,574,309
Public safety	4,940,200	-	4,940,200	3,600,337	(1,339,863)	3,691,566
Housing	-	-	-	-	-	-
Planning and development	-	-	-	-	-	6,585
Road transport	11,849,700	15,000,000	26,849,700	13,428,748	(13,420,952)	6,597,681
Electricity	73,432,900	-	73,432,900	82,736,663	9,303,763	55,920,017
Waste management	9,142,900	-	9,142,900	5,894,095	(3,248,805)	5,147,048
Other	379,600	-	379,600	412,414	32,814	404,847
Total Revenue by Vote	151,757,300	19,767,600	171,524,900	162,979,341	(8,545,559)	121,559,940

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE OUTCOME 2015 R
EXPENDITURE						
Executive and council	17,278,200	318,231	17,596,431	14,609,862	(2,986,569)	15,434,134
Budget and treasury office	26,402,400	1,970,042	28,372,442	34,775,093	6,402,651	34,351,539
Corporate services	-	-	-	-	-	-
Community and social services	3,158,300	85,034	3,243,334	2,754,975	(488,359)	3,290,266
Sport and recreation	2,928,200	128,762	3,056,962	2,509,565	(547,397)	2,865,161
Public safety	4,402,300	(56,573)	4,345,727	3,645,861	(699,865)	3,611,096
Housing	1,085,400	5,030	1,090,430	1,102,531	12,101	1,741,678
Planning and development	2,699,800	(541,902)	2,157,898	2,834,325	676,427	1,376,271
Road transport	10,433,800	(24,453)	10,409,347	14,053,433	3,644,086	13,881,932
Electricity	57,782,900	54,059	57,836,959	63,656,080	5,819,121	56,470,449
Waste management	11,307,800	(66,703)	11,241,097	11,451,082	209,985	10,257,117
Other	194,700	(43,569)	151,131	320,707	169,576	475,102
Total Expenditure by Vote	137,673,800	1,827,958	139,501,758	151,713,515	12,211,757	143,754,744
Surplus/(Deficit) for the year	14,083,500	17,939,642	32,023,142	11,265,826	(20,757,317)	(22,194,804)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
REVENUE BY SOURCE						
Property rates	14,061,400	-	14,061,400	11,409,360	(2,652,040)	11,002,501
Service charges - electricity revenue	70,211,500	-	70,211,500	62,503,224	(7,708,277)	55,447,865
Service charges - refuse revenue	9,129,000	-	9,129,000	5,891,331	(3,237,669)	5,138,304
Rental of facilities and equipment	2,362,400	-	2,362,400	2,206,901	(155,499)	1,957,479
Interest earned - external investments	600,000	-	600,000	790,086	190,086	670,724
Interest earned - outstanding debtors	450,000	-	450,000	719,018	269,018	556,887
Fines	310,000	-	310,000	271,255	(38,745)	322,013
Licences and permits	2,490,000	-	2,490,000	1,644,325	(845,675)	1,798,424
Agency services	2,200,000	-	2,200,000	1,829,488	(370,512)	1,700,836
Transfers recognised - operational	32,441,600	-	32,441,600	33,227,332	785,732	31,559,383
Other revenue	4,111,800	-	4,111,800	20,753,417	16,641,617	3,873,927
Gains on disposal of PPE	69,900	967,600	1,037,500	731,947	(305,553)	392,609
Total Revenue (excluding capital transfers and contributions)	138,437,600	967,600	139,405,200	141,977,685	2,572,485	114,420,951

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATE D OUTCOME 2015 R
EXPENDITURE BY TYPE						
Employee related costs	49,489,000	568,988	50,057,988	47,954,668	(2,103,320)	42,287,194
Remuneration of councillors	3,989,700	-	3,989,700	3,659,789	(329,911)	3,464,708
Debt impairment	350,000	-	350,000	5,447,694	5,097,694	6,122,221
Depreciation & asset impairment	1,250,000	-	1,250,000	12,252,732	11,002,732	12,245,560
Finance charges	580,200	-	580,200	7,731,210	7,151,010	7,231,183
Bulk purchases	51,027,100	-	51,027,100	53,944,937	2,917,837	47,788,844
Transfers and grants	-	-	-	605,644	605,644	391,251
Other expenditure	30,987,800	1,258,970	32,246,770	20,033,084	(12,213,686)	23,903,136
Loss on disposal of PPE	-	-	-	83,757	83,757	320,647
Total Expenditure	137,673,800	1,827,958	139,501,758	151,713,515	12,211,757	143,754,744
Surplus/(Deficit)	763,800	(860,358)	(96,558)	(9,735,830)	(9,639,272)	(29,333,793)
Transfers recognised - capital	13,319,700	15,000,000	28,319,700	21,001,655	-	-
Surplus/(Deficit) for the year	14,083,500	14,139,642	28,223,142	11,265,826	(9,639,272)	(29,333,793)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATED OUTCOME 2015 R
CAPITAL EXPENDITURE (VOTE)						
Single-year expenditure						
Executive and council	60,000	-	60,000	413,930	353,930	13,127
Budget and treasury office	540,000	-	540,000	814,008	274,008	248,292
Community and social services	60,000	-	60,000	3,250	(56,750)	17,543
Sport and recreation	35,000	12,631,334	12,666,334	12,368,150	(298,184)	2,480,128
Public safety	30,000	-	30,000	1,421	(28,579)	11,560
Housing	30,000	-	30,000	-	(30,000)	1,921
Road transport	10,268,100	4,079,227	14,347,327	13,416,433	(930,894)	4,270,122
Electricity	2,661,600	-	2,661,600	2,260,174	(401,426)	1,638,727
Waste management	65,000	-	65,000	210,856	145,856	265,622
Total Capital Expenditure by Vote	13,749,700	16,710,561	30,460,261	29,488,221	(972,040)	8,947,041

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATED OUTCOME 2015 R
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration	600,000	-	600,000	1,227,938	627,938	261,419
Executive and council	60,000	-	60,000	413,930	353,930	13,127
Budget and treasury office	30,000	-	30,000	345,223	315,223	248,292
Corporate services	510,000	-	510,000	468,785	(41,215)	-
Community and public safety	155,000	12,631,334	12,786,334	12,372,821	(413,513)	2,511,151
Community and social services	60,000	-	60,000	3,250	(56,750)	17,543
Sport and recreation	35,000	12,631,334	12,666,334	12,368,150	(298,184)	2,480,128
Public safety	30,000	-	30,000	1,421	(28,579)	11,560
Housing	30,000	-	30,000	-	(30,000)	1,921
Economic and environmental services	10,268,100	4,079,227	14,347,327	13,416,433	(930,894)	4,270,122
Road transport	10,268,100	4,079,227	14,347,327	13,416,433	(930,894)	4,270,122
Trading services	2,726,600	-	2,726,600	2,471,029	(255,571)	1,904,349
Electricity	2,661,600	-	2,661,600	2,260,174	(401,426)	1,638,727
Waste management	65,000	-	65,000	210,856	145,856	265,622
Total Capital Expenditure - Standard	13,749,700	16,710,561	30,460,261	29,488,221	(972,040)	8,947,041
CAPITAL EXPENDITURE (FUNDING SOURCES)						
National Government	13,319,700	15,000,000	28,319,700	13,097,645	(15,222,055)	7,138,989
District Municipality	-	-	-	7,904,010	7,904,010	-
Transfers recognised - capital	13,319,700	15,000,000	28,319,700	21,001,655	(7,318,045)	7,138,989
Borrowing	-	-	-	989,603	989,603	-
Public Contributions and Donations	-	-	-	18,639,892	18,639,892	-
Internally generated funds	430,000	1,710,561	2,140,561	(11,142,928)	(13,283,489)	1,808,052
Total Capital Funding	13,749,700	16,710,561	30,460,261	29,488,221	(972,040)	8,947,041

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

CASH FLOWS

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATED OUTCOME 2015 R
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates, penalties & collection charges	12,655,260	-	12,655,260	9,901,395	(2,753,865)	9,197,777
Service charges	71,223,870	-	71,223,870	63,289,745	(7,934,125)	56,468,714
Other revenue	11,474,200	-	11,474,200	24,939,660	13,465,460	4,305,432
Government - operating	32,441,600	-	32,441,600	43,427,122	10,985,522	30,469,456
Government - capital	13,319,700	997,627	14,317,327	5,884,331	(8,432,996)	10,586,096
Interest	1,050,000	-	1,050,000	1,509,104	459,104	1,227,611
Payments						
Suppliers and employees	(137,323,800)	-	(137,323,800)	(121,680,726)	15,643,074	(91,320,701)
Finance charges	(350,000)	-	(350,000)	(6,341,479)	(5,991,479)	(5,788,799)
Transfers and Grants	-	-	-	(605,644)	(605,644)	(391,251)
NET CASH FROM OPERATING ACTIVITIES	4,490,830	997,627	5,488,457	20,323,508	14,835,051	14,754,333
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE	69,900	967,600	1,037,500	1,202,752	165,252	446,688
Decrease/(Increase) in non-current investment	410,400	-	410,400	(52,733)	(463,133)	(40,001)
Payments						
Capital assets	(13,749,700)	(16,710,561)	(30,460,261)	(28,287,763)	2,172,498	(8,755,444)
NET CASH USED IN INVESTING ACTIVITIES	(13,269,400)	(15,742,961)	(29,012,361)	(27,137,744)	1,874,617	(8,348,756)

MALETSWAI LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

CASH FLOWS

	ORIGINAL BUDGET 2016 R	BUDGET ADJUSTMENTS 2016 R	FINAL BUDGET 2016 R	ACTUAL OUTCOME 2016 R	BUDGET VARIANCE 2016 R	RESTATED OUTCOME 2015 R
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Increase (decrease) in consumer deposits	100,000	-	100,000	(44,929)	(144,929)	(118,105)
Payments						
Repayment of borrowing	(1,396,762)	(104,399)	(1,501,161)	(1,796,229)	(295,068)	(1,663,825)
NET CASH FROM FINANCING ACTIVITIES	(1,296,762)	(104,399)	(1,401,161)	(1,841,158)	(439,997)	(1,781,930)
NET INCREASE/ (DECREASE) IN CASH HELD	(10,075,332)	(14,849,733)	(24,925,065)	(8,655,395)	16,269,670	4,623,647
Cash/cash equivalents at the year begin:	-	-	-	13,519,127	13,519,127	8,895,481
Cash/cash equivalents at the year end:	(10,075,332)	(14,849,733)	(24,925,065)	4,863,732	29,788,797	13,519,127