Mopani District Municipality
(Demarcation code DC33)
Financial statements
for the year ended 30 June 2016

General Information

Nature of business and principal activities	Provision of a democratic and accountable Local Government for communities in the mopani district area; •Ensuring the provision of services to these communities in a sustainable manner; •Promotion of social and economic development; •Promotion a safe and healthy environment; and •Encourage the involvement of communities and community organisations in the matters of Local Government in the mopani district
Executive Mayor	Councillor Rakgoale N.C
Speaker	Councillor Sedibeng D.W
Chief Whip	Councillor Mushwana O.J
Mayoral Committee	Councillor Ndove D.L
	Councillor Makhurupetsi - Malatji M.N
	Councillor Mametja M.R
	Councillor Nkuna C
	Councillor Ramaremela T.P
	Councillor Moshobane S.H
	Councillor Hlatswayo C
	Councillor Sibiya M
MPAC Chairperson	Councillor Nkanyani R.P
Other Councillors	Councillor Mathonsi N.V (Replaced)
	Councillor Lewele M.M
	Councillor Machethe L.N
	Councillor Maloko M.L
	Councillor Ngobeni A
	Councillor Mabasa M.H
	Councillor Raganya M.P
	Councillor Monyela K.J
	Councillor Mokoele S.G
	Councillor Cronje P.W
	Councillor Mabunda M.A
	Councillor Makhubele M
	Councillor Moshwana T.J
	Councillor Rikhotso M.Q
	Councillor Mushwana D.G
	Councillor Mohale N.L
	Councillor Mbhalati J.H.S
	Councillor Mokgobi M.L
	Councillor Makwala S.C
	Councillor Mafona M.E
	Councillor Selowa M.G
	Councillor Senyolo T.J
	Councillor Mamogale M.C
	Councillor Mohlala M.F
	Councillor Mabale S.P
	Councillor Mantlhaka A.M
	Councillor Mashele M.B
	Councillor Flemming C.L

General Information

	Councillor Malesa M.G Councillor Makwala M.O Councillor Mashele J.G Councillor Magoro M.C Councillor Mokgolobotho M.J Councillor Mathebula M.V Councillor Manganyi T.C Councillor Fuela H Councillor Mbhalati M.F Councillor Mashatola M.Q
Grading of local authority	4
Accounting Officer	Tsebe M.S (Acting)
Chief Finance Officer	Kgatla Q
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Website	www.mopani.gov.za
Currency	South African Rands
Rounding off	Nearest Rand
Bankers	ABSA
Auditors	Auditor General of South Africa
Audit Committee	Manzini H.N (Chairperson) Kholong S.S.T Hlomane H.G Mudau F.S Nevhutalu T

General Information

Lawyers	Leepile & Mbewe Inc Mhlaba Rampheri & Mhlaba Inc. MP Shai Attorneys Mabu and Letaba Attorneys Phukubje Attorneys Maloka Thulare Attorneys Adv. H Molotsi Mogaswa Inc. Magabe Attorneys Modjadji Raphesu Attorneys SML Matsaung Attorneys Verveen Attorneys Talane Associates

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

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Abbreviations

ABSA	Amalgamated Banks of South Africa
AFS	Annual Financial Statements
CFO	Chief Financial Officer
CoGHSTA	Coorperative Governance Human Settlements and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
DWAS	Department of Water and Sanitation
EPWP	Extended Public Works Programme
FIFO	First-in-first-out
FMG	Finance Mangement Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IT	Information Technology
JSE	Johannesburg Stock Exchange
LP	Limpopo Province
LGW SETA	Local Government Sector Education and Training Authority
LWN	Lepelle Northern Water
LMs	Local Municipality
LSA	Long Service Award
MDM	Mopani District Municipality
MFMA	Municipal Finance Management Act (Act No 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
PMDS	Perfomance Management and Development System
PPE	Property, Plant and Equipment
PAYE	Pay as you earn
RHIG	Rural Housing Grant
SDL	Skills Development Levy
SALGABC	South African Local Gorvenment Bargaining Council
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund

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VAT	Value Added Tax
WSA	Water Service Authority
WSOG	Water Services Operating Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The financial statements set out on pages 8 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer
Tsebe M.S

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of a democratic and accountable local government for communities in the mopani district area;
•ensuring the provision of services to these communities in a sustainable manner;
•promotion of social and economic development;
•promotion a safe and healthy environment; and
• encourage the involvement of communities and community organisations in the matters of local government in th mopani district and operates principally in South Africa.

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

Net deficit of the municipality was R 19 209 980 (2015: surplus R 20 913 573).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year. National Treasury redirected an amount of R150 000 000.00 from the municipality's MIG allocation to other implementing agents for MIG projects. The Municipality appointed a new council on the 10th August 2016.

4. Accounting policies

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Tsebe M.S (Acting Municipal Manager)	South African

6. Bankers

ABSA Bank

7. Auditors

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

Mopani District Municipality
Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Inventories	5	16 841 355	16 694 655
Receivables from exchange transactions	6	171 103 668	(2 274 807)
VAT receivable	7	112 198 943	105 596 069
Consumer debtors	8	466 214 233	309 449 080
Cash and cash equivalents	9	109 357 699	114 326 792
Total Current Assets		**875 715 898**	**543 791 789**
Non-Current Assets			
Property, plant and equipment	2	4 798 350 041	4 457 422 226
Intangible assets	3	9 100 010	9 607 840
Heritage assets	4	432 000	432 000
Total Non - Current Assets		**4 807 882 051**	**4 467 462 066**
Total Assets		**5 683 597 949**	**5 011 253 855**
Liabilities			
Current Liabilities			
Finance lease obligation	10	1 064 138	1 064 138
Payables from exchange transactions	13	1 041 511 497	763 474 172
Bonus Provision		6 660 194	5 789 887
Consumer deposits	14	6 363 945	4 385 240
Unspent conditional grants and receipts	11	76 198 815	65 235 343
Leave Provision		38 019 790	30 660 455
Total Current Liabilities		**1 169 818 379**	**870 609 235**
Non-Current Liabilities			
Provisions	12	78 360 221	70 303 643
Total Liabilities		**1 248 178 600**	**940 912 878**
Net Assets		**4 435 419 349**	**4 070 340 977**
Accumulated surplus		4 435 419 344	4 070 340 977

* See Note 32

Mopani District Municipality
Financial Statements for the year ended 30 June 2016

Statement of Financial Performance as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Revenue			
Service charges	16	153 681 322	193 761 274
Interest received on outstanding receivables		42 203 747	15 905 432
Other income	18	3 180 804	2 909 309
Interest received		11 789 930	3 405 705
Government grants & subsidies	17	898 058 184	704 956 596
Total revenue		**1 108 913 987**	**920 938 316**
Expenditure			
Employee costs	20	(293 467 464)	(251 795 609)
Remuneration of Councillors	21	(12 395 761)	(14 287 171)
Regional bulk infrastructure projects expenditure	22	(22 532 576)	(13 564 075)
Mopani household sanitation		(319 911)	(3 321 949)
Depreciation and amortisation	24	(174 396 845)	(165 947 321)
Interest cost	25	(1 843 130)	(461 993)
Debt Impairment	23	(8 467 061)	(2 776 708)
Repairs and maintenance		(126 489 384)	(90 986 663)
Bulk purchases	27	(332 500 214)	(186 532 674)
Contracted services	26	(32 645 288)	(23 382 435)
Auditors remuneration		(4 255 713)	(3 774 462)
General expenses	19	(117 685 254)	(92 367 372)
Impairment Loss		-	(1 301 844)
Total expenditure		**(1 126 998 601)**	**(850 800 276)**
Operating (deficit) surplus		**(18 084 614)**	**70 138 040**
Loss on disposal of assets and liabilities		(1 125 366)	(177 017)
(Deficit) surplus for the year		**(19 209 980)**	**69 961 023**

* See Note 32

Statement of Changes in Net Assets as at 30 June 2016

	Accumulated surplus R	Total R
Balance at 01 July 2014	**4 000 379 954**	**4 000 379 954**
Surplus for the year	69 961 023	69 961 023
Total changes	69 961 023	69 961 023
Restated* Balance at 01 July 2015	**4 454 629 324**	**4 454 629 324**
Surplus for the year	(19 209 980)	(19 209 980)
Total changes	(19 209 980)	(19 209 980)
Balance at 30 June 2016	**4 435 419 344**	**4 435 419 344**

Note(s)

* See Note 32

Cash Flow Statement as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Grants		898 072 537	666 607 189
Interest income		11 789 930	3 405 705
Other receipts		903 520	2 281 233
Total receipts		910 765 987	672 294 127
Payments			
Employee costs		(286 448 278)	(230 657 970)
Suppliers		(115 475 510)	(162 610 466)
Interest paid		(1 843 130)	(461 993)
Total payments		(403 766 918)	(393 730 429)
Net cash flows from operating activities	28	**506 999 069**	**278 563 698**
Cash flows from investing activities			
Purchase of property, plant and equipment (Including Work in Progress)	2	(518 844 077)	(246 114 942)
Purchase of intangible assets	3	(480 000)	-
Net cash flows from investing activities		**(519 324 077)**	**(246 114 942)**
Cash flows from financing activities			
Movement in other liability		7 359 335	-
Finance lease payments		(3 420)	(1 248 245)
Net cash flows from financing activities		**7 355 915**	**(1 248 245)**
Net increase in cash and cash equivalents		**(4 969 093)**	**31 200 511**
Cash and cash equivalents at the beginning of the year		114 326 792	83 126 281
Cash and cash equivalents at the end of the year	9	**109 357 699**	**114 326 792**

* See Note 32

Mopani District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage Differences
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	131 968 000	90 519 000	**222 487 000**	153 681 322	**(68 805 678)**	-30.66
Interest received outstanding receivables	23 567 000	-	**23 567 000**	42 203 747	**18 636 747**	248.16
Other income	60 544 000	(13 858 000)	**46 686 000**	3 180 804	**(43 505 196)**	-93.19
Interest received	2 850 000	6 100 000	**8 950 000**	11 789 930	**2 839 930**	131.73
Total revenue from exchange transactions	**218 929 000**	**82 761 000**	**301 690 000**	**210 855 803**	**(90 834 197)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	635 448 000	66 262 000	**701 710 000**	898 058 184	**196 348 184**	127.9
Total revenue	**854 377 000**	**149 023 000**	**1 003 400 000**	**1 108 913 987**	**105 513 987**	
Expenditure						
Personnel	(369 599 000)	16 275 000	**(353 324 000)**	(293 467 464)	**59 856 536**	-17.57
Remuneration of councillors	(12 038 000)	(1 161 000)	**(13 199 000)**	(12 395 761)	**803 239**	-6.06
Regional Bulk Water Infrastructure Projects Expenditure	-	-	-	(22 532 576)	**(22 532 576)**	-100
Mopani Household Sanitation	-	-	-	(319 911)	**(319 911)**	100
Depreciation and amortisation	(173 253 000)	-	**(173 253 000)**	(174 396 845)	**(1 143 845)**	0
Interest cost	-	-	-	(1 843 130)	**(1 843 130)**	100
Dept Impairment	(20 077 000)	-	**(20 077 000)**	(8 467 061)	**11 609 939**	-57.83
Repairs and maintenance	(110 337 000)	(92 046 000)	**(202 383 000)**	(126 489 384)	**75 893 616**	-9.36
Bulk purchases	(193 191 000)	57 792 000	**(135 399 000)**	(332 500 214)	**(197 101 214)**	162.8
Contracted Services	(12 177 000)	(1 019 000)	**(13 196 000)**	(32 645 288)	**(19 449 288)**	112.2
Transfers and Subsidies	-	-	-	(4 255 713)	**(4 255 713)**	
General Expenses	(151 510 000)	(4 575 000)	**(156 085 000)**	(117 685 254)	**38 399 746**	-35.97
Total expenditure	**(1 042 182 000)**	**(24 734 000)**	**(1 066 916 000)**	**(1 126 998 601)**	**(60 082 601)**	
Operating deficit	**(187 805 000)**	**124 289 000**	**(63 516 000)**	**(18 084 614)**	**45 431 386**	
Loss on disposal of assets and liabilities	-	-	-	(1 125 366)	**(1 125 366)**	
Deficit before taxation	**(187 805 000)**	**124 289 000**	**(63 516 000)**	**(19 209 980)**	**44 306 020**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(187 805 000)**	**124 289 000**	**(63 516 000)**	**(19 209 980)**	**44 306 020**	

Reconciliation

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Provisions

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

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

Allowance for doubtful debts

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

Cash and Cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held wiht registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the Balance Sheet date that are indicative of conditions that arose after the Balance Sheet date are with by way of note to the Financial Statements.

Accounting Policies

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.5 Intangible assets

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

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

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Licenses	3 years
Computer software, other	3 years
Blyde Water Utility	20 years

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

1.6 Heritage assets (continued)

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

1.7 Financial instruments

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:
- cash;

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

1.7 Financial instruments (continued)

Classification

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

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost

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

Class	Category
Other Financial Liabilities	Financial liability measured at amortised cost
Trade and Other Payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at fair value

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

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

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

1.8 Taxation

Valued Added Tax

The municipality accounts for Value Added Tax on payment basis in accordance with section 15(2)(a) of the Value Added Tax (Act No. 89 of 1991)"

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

Accounting Policies

1.10 Inventories (continued)

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.11 Construction contracts and receivables

1.10.1 Change in accouting estimate

Change in accounting estimate is an adjustement of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilitiesontractor is an entity that performs construction work pursuant to a construction contract.

Changes in accouting estimates result form new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

1.10.2 Change in accounting policy

Accounting policies are the specific principles, bases, rules and practices applied by a municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied wither retrospectively or prospectivley if trasitional provisions exists.

1.10.3 Prior period Errors

Prior period errors are omissions from and misstatements in the municipality's financial statements for one or more prior periods arising from a failure to use or misuse of reliable information that
(a) was available when financial statements for those periods were authorised for issue and
(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

Identification

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

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

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

Value in use

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.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Long term service awards

Employees qualifify for additional leave for various period of uninterrepted service in accourdance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Employee benefits (continued)

Accomulated leave days

Accumulated leave benefit accrues to employees up to maximum of 48 leave days. The benefits are paid in the events of death, disabiltiy, retrechment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an acturial valuation

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

Termination Benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
-provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.
The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.
Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.
Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate
discount rate. The rate used to discount the benefit reflects the time value of money.
In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

1.16 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.18 Comparative figures

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

Budget information in accourdance with GRAP 1 and GRAP 24 has been provided in a note to these financial statements and forms part of the unaudited financial statements.
When the presentation or classification of items in the annual financial statements is amendeed, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the currect year, the correction is made retrospectively as far as is practicable, and the prior year comparatitives are restated accourdingly. 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.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

1.19 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

1.22 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.23 Related parties

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

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

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

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

1.24 Commitments

A commitment arises when a decision is made to incur a liability e.g purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention agree to an outflow of resources, outflow of resources becomes a present obliligation.

	R	R

2. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Buildings	272 339 415	(83 310 709)	189 028 706	272 339 415	(75 763 713)	196 575 702
Infrastructure	7 843 847 697	(3 290 322 430)	4 553 525 267	7 333 560 501	(3 129 075 520)	4 204 484 981
Other PPE	61 198 953	(17 386 459)	43 812 494	59 776 547	(16 365 559)	43 410 988
Leased assets	32 725	(29 927)	2 798	5 065 008	(4 095 229)	969 779
Total	**8 189 399 566**	**(3 391 049 525)**	**4 798 350 041**	**7 682 722 247**	**(3 225 300 021)**	**4 457 422 226**

Figures in Rand

2.Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers/ Completed	Disposal	Depreciation	Impairment	Total
Land	11 980 776,32	-	-	-	-	-	11 980 776,32
Buildings	105 760 279,76	-	-	-	-7 546 995,85	-	98 213 283,91
Infrastructure	4 113 940 710,12	71 036 682,34		-	-161 246 817,59	-	4 023 730 574,87
Other	42 963 272,27	1 532 058,83	-	-83 270,55	-3 648 126,76	-2 472 585,19	38 291 348,60
Leased assets	969 779,45	-	-	-	-966 981,72	-	2 797,73
Under Construction	337 075 329,35	253 919 968,47	-71 036 682,34	-	-	-	519 958 615,48
	4 612 690 147,27	**326 488 709,64**	**-71 036 682,34**	**-83 270,55**	**-173 408 921,92**	**-2 472 585,19**	**4 692 177 396,91**

Figures in Rand

2.Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers/ Completed	Disposal	Depreciation	Impairment	Total
Land	11 980 776,32	-	-	-	-	-	11 980 776,32
Buildings	112 735 061,60	-	-	-	-6 974 781,85	-	105 760 279,75
Infrastructure	4 106 731 493,09	160 454 793,41	-	-	-153 245 576,38	-	4 113 940 710,12
Other	46 045 238,92	1 265 416,19	-	-192 521,35	-4 137 004,68	-17 856,82	42 963 272,26
Leased assets	2 211 711,54	3 420,00	-	-	-1 245 352,09	-	969 779,45
Under Construction	413 135 389,43	84 394 733,33	-160 454 793,41	-	-	-	337 075 329,35
	4 692 839 670,90	**246 118 362,93**	**-160 454 793,41**	**-192 521,35**	**-165 602 715,00**	**-17 856,82**	**4 612 690 147,25**

Pledged as security

None of the above Property, Plant and Equipment was pledged as security

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

	2 016	2 015
	R	R

3.Intangible assets

	2 016			2 015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 577 760	(1 453 299)	124 461	1 097 760	(465 469)	632 291
Blyde Water Utility	13 991 354	(5 015 805)	8 975 549	13 991 354	(5 015 805)	8 975 549
Total	**15 569 114**	**(6 469 104)**	**9 100 010**	**15 089 114**	**(5 481 274)**	**9 607 840**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	632 291	480 000	-	-205 413	906 878
Blyde Water Utility	8 975 549	-	-	-699 568	8 275 981
Total	**9 607 840**	**480 000**		**-904 981**	**9 182 859**

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	1 126 446	-494 155	632 291
Blyde Water Utility	9 675 117	-699 568	8 975 549
Total	10 801 563	-1 193 723	9 607 840

4.Heritage assets

	2 016			2 015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral chain	432 000	432 000

Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral Chain	432 000	432 000

Notes to the Financial Statements

	2016 R	2015 R

5. Inventories

	2016 R	2015 R
Consumable stores	17 255 273	15 487 962
Ba - Phalaborwa Municipality	(1 777 046)	-
Greater Giyani Municipality	1 295 399	1 145 914
Greater Tzaneen Municipality	50 460	53 074
Greater Letaba Municipality	17 269	7 705
	16 841 355	**16 694 655**

6. Receivables from exchange transactions

	2016 R	2015 R
Staff debtors	482 398	259 579
PMDS and pay progression	5 751 664	5 751 664
Audit committee proportion - LM's	3 026 433	2 612 341
Councillors	170 168	170 168
Service providers	595 097	883 837
Bursaries (Greater Tzaneen)	49 737	49 737
Ba - Phalaborwa municipality	123 478 966	(28 174 417)
Greater Giyani municipality	34 369 623	14 304 398
Department of Water Affairs	3 179 582	1 867 886
Total	**171 103 668**	**(2 274 807)**

Included in the PMDS & pay progression are overpayments made to officials transfered from DWA.
The high value of receivables of Ba - Phalaborwa municipality pertains to water related transactions billed and collected on behalf of Mopani district municipality as per the Water Service Provider agreements.

7. VAT receivable

	2016 R	2015 R
VAT	112 198 943	105 596 069

	2016 R	2015 R
8. Consumer debtors		
Gross balances		
Water	649 092 567	488 606 165
Sewerage	121 537 636	97 716 245
Total gross balances	**770 630 203**	**586 322 410**
Less: Allowance for impairment		
Water	(261 140 199)	(240 554 075)
Sewerage	(43 275 771)	(36 319 255)
Total allowance for impairments	**(304 415 970)**	**(276 873 330)**
Net balance		
Water	387 952 368	248 052 090
Sewerage	78 261 865	61 396 990
Total net balance	**466 214 233**	**309 449 080**
Water		
Current (0 -30 days)	17 621 031	13 252 117
31 - 60 days	13 083 919	8 432 645
61 - 90 days	12 906 833	9 523 803
91 - 120 days	11 023 856	7 344 127
121 - 365 days	89 688 141	85 954 445
> 365 days	504 768 787	371 597 043
Impairment	(261 140 199)	(248 052 090)
Total	**387 952 368**	**248 052 090**
Sewerage		
Current (0 -30 days)	2 900 081	2 305 218
31 - 60 days	2 398 132	1 753 946
61 - 90 days	2 359 930	1 625 675
91 - 120 days	2 112 555	1 593 064
121 - 365 days	17 114 000	18 103 712
> 365 days	129 639 032	97 412 365
Impairment	(78 261 865)	(61 396 990)
Total	**78 261 865**	**61 396 990**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(276 873 330)	(276 873 330)
Contributions to allowance	(27 542 640)	-
Total	**(304 415 970)**	**(276 873 330)**
Consumer debtors per local municipality		
Consumer debtors	-	-
Ba - Phalaborwa Municipality	556 016 100	364 003 601
Greater Tzaneen Municipality	80 793 484	79 758 156
Greater Giyani Municipality	65 988 871	54 853 513
Greater Letaba Municipality	31 177 842	38 005 364
Maruleng Municipality	3 448 569	1 711 905
Total	**737 424 866**	**538 332 539**

Notes to the Financial Statements

	2016 R	2015 R

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	16 804 189	7 355 400
Short-term deposits	92 553 510	106 471 392
	109 357 699	**114 326 792**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Account Type - 405-277-1364	16 804 189	7 855 400	20 980 815	16 804 189	7 855 400	20 980 815
ABSA BANK - Account Type - 408-091-1671	19 876 340	81 446 221	62 145 466	19 876 340	81 446 221	62 145 466
ABSA BANK - Account Type - 408-091-1613	72 677 170	25 025 171	-	72 677 170	25 025 171	-
Total	**109 357 699**	**114 326 792**	**83 126 281**	**109 357 699**	**114 326 792**	**83 126 281**

10. Finance lease obligation

Minimum lease payments due		
- within one year	1 061 085	1 061 085
- in second to fifth year inclusive	-	3 054
- later than five years	-	-
Present value of minimum lease payments	**1 061 085**	**1 064 139**

Present value of minimum lease payments due		
- in second to fifth year inclusive	1 061 085	1 061 085
- later than five years	-	3 054
	1 061 085	**1 064 139**

It is municipality policy to lease certain equipment under operation leases.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DWA Refurbishment Grant	-	23 200 000
Municipal Infrastructure Grant (MIG)	75 662 544	30 900 000
Rural Transport Grant	85 785	167 206
LP Health Grant	450 486	-
Forencis Audit Grant	-	10 968 137
Total	**76 198 815**	**65 235 343**

See **note 17** for the reconciliation of grants from other subsidies of government

	2016 R	2015 R

12. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Post retirement medical aid benefits	55 499 990	6 565 169	62 065 159
Long service awards	14 803 653	1 491 409	16 295 062
Total	**70 303 643**	**8 056 578**	**78 360 221**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Post retirement medical aid benefits	10 134 709	46 808 554	(1 443 273)	55 499 990
Longs service awards	14 212 106	591 547	-	14 803 653
Total	**24 346 815**	**47 400 101**	**(1 443 273)**	**70 303 643**

Post retirement medical aid benefits

An actuarial valuation has been performed in respect of benefits to eligible retirees and current retirees.

Long service awards

The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2013. This valuation is referred to in Section 6 of the actuary's report, where its results are compared to these results

Table 3.1 Description	Completed Service (in Years)	Long Service Bonuses (%of Annual Salary)
10 / 250 x annual salary	10	4
20 / 250 x annual salary	15	8
30 / 250 x annual salary	20	12
	45	**24**

History of liabilities, assets and experience adjustments

History of liabilities and assets

The table below summarises the accrued liabilities and the plan assets for the current period and the previous three periods.

	Year ended 30/06/2013	Year ended 30/06/2014	Year ended 30/06/2015	Year ended 30/06/2016
Acrued Liability	11 768 048	12 422 520	12 737 431	14 157 203

History of experience adjustments (gains/losses)

The table below summarises the experience adjustments for the current and previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred

Table below: History of experience adjustments: (Gains) and Losses

	Year ended 30/06/2013	Year ended 30/06/2014	Year ended 30/06/2015	Year ended 30/06/2016

			2016 R	2015 R

12. Provisions (continued)

Liability: (Gain) / Loss	143 778	563 365	500 576	1 840 422

Past and Future Changes in the Accrued Liability

The table below shows the development of the Accrued Liability over the current period, and projects the Employer's Unfunded Accrued Liability adn periodic costs over the two-year period following the Valuation Date.

These projections assume that the LSA arrangements remain as outlined in Section 3, and that all the acturial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Employer towards prefunding its liability via an off - balance sheet vehicle.

There are no Past Service Costs, Curtailments or Settlements to reflect.

Employee benefit cost provision	Year ended 30/06/2016	Year ended 30/06/2017	Year ended 30/06/2018
Opening accrued liability	12 737 431	14 157 203	14 335 299
Current service cost	859 855	940 235	1 019 333
Interest cost	928 980	1 113 679	1 127 930
Expected benefit vestings	(1 817 922)	(1 875 818)	(1 893 557)
Total annual expense	(29 087)	178 096	253 706
Acrual loss/(gain)	1 448 859	-	-
Closing accrued liability	14 157 203	14 335 299	14 589 005
	-	-	-

Rate of future accumulation of unused leave

The balance of the number of unused leave days at the valuation date was provided by the municipality.

In order to estimate the number of unused leave days at the date of retirement or withdrawal, an assumption regarding the future rate of accumulation of unused leave days per annum is required. This rate was estimated using the following assumptions:

- Employees with a balance of 48 days or more unused leave at the valuation date were assumed to have 48 days unused leave at the date of retirement or withdrawal. This implies that the rate of future unused accumulation is zero.
- For employees with more than one year's past-service and less than 48 days of unused leave at the valuation date a constant rate of future leave accumulation per annum was calculated as:
a) Unused leave days balance at valuation date} divided by {past-service at valuation date}
- For employees with less than one year's past-service, the rate of future leave accumulation per annum was assumed as the average of the rates of accumulation
- For employees with more than one year's past-service and zero or less than zero accumulated leave at the Valuation Date, the rate of future leave accumulation per annum is assumed to be zero. This implies that no long-term provision is made for these employees as they are expected to take their full complement of leave each year.

Current portion of leave expected to be taken
The amount of leave becoming due to each employee for the ensuing year is estimated to be the lesser of 24 days and the difference between the maximum (48 days) and their current balance of unused leave days.

13. Payables from exchange transactions

	2016 R	2015 R
Trade payables	730 580 457	534 996 570
Retentions	77 534 399	70 043 665
Other payables	7 383 171	2 162 273
Greater Letaba municipality	2 394 254	1 330 319
Greater Tzaneen municipality	157 205 131	127 493 570
Maruleng municipality	37 546 154	27 447 775
Gross Investment in a lease	28 867 931	-
Total	**1 041 511 497**	**763 474 172**

Notes to the Financial Statements

	2016 R	2015 R

13. Payables from exchange transactions (continued)

The huge balance of payables pertains to inter municipality transactions with the local municipalities for which the district municipality has a service level agreement for the provision of water and sanitation to the locals

GRAP 104 has been considered in the valuation of these payables.

14. Consumer deposits

Consumer Deposits	6 363 945	4 385 240

Breakdown of consumer deposits:	2016	2015
Greater Letaba	38 091	39 457
Greater Tzaneen	4 169 213	3 152 162
Maruleng	159 026	158 015
Ba - Phalaborwa	1 998 618	-
	6 364 948	**3 349 634**

15. Revenue

Service charges	153 681 322	193 761 274
Interest received outstanding debtors	42 203 747	15 905 432
Other income	3 180 804	2 909 309
Interest received	11 789 930	3 405 705
Government grants & subsidies	898 058 184	704 956 596
Total	**1 108 913 987**	**920 938 316**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	153 681 322	193 761 274
Interest earned - outstanding receivables	42 203 747	15 905 432
Other income	3 180 804	2 909 309
Interest received	11 789 930	3 405 705
Total	**210 855 803**	**215 981 720**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants and subsidies	898 058 184	704 956 596

16. Service charges

Sale of water	129 534 463	171 948 424
Sewerage and sanitation charges	24 146 859	21 812 850
	153 681 322	**193 761 274**

Notes to the Financial Statements

	2016 R	2015 R

17. Government grants and subsidies

	2016 R	2015 R
Operating grants		
Equitable share grant	631 507 000	560 753 000
DWA WSOG (In kind)	-	1 867 882
DWA (Refurbishment) grant	-	20 822 570
EPWP grant	1 630 000	2 195 000
Finance Management Grant (FMG)	1 325 000	1 250 000
LP - Health (EHP)	9 648 526	-
LGW SETA grant	219 370	419 006
Municipal system improvement grant (MSIG)	940 000	934 000
LP Econ (Biosphere) grant	351 667	147 667
Forensic audit grant	10 968 137	5 931 863
Total operating grants	656 589 700	594 320 988
Capital grants		
Regional bulk water - mametja sekororo	34 148 607	15 587 416
Municipal infrastructure grant (MIG)	205 237 456	92 500 000
Rural transport grant	2 082 421	2 548 192
Total capital grants	241 468 484	110 635 608
Total operating and capital grants	**898 058 184**	**704 956 596**

Equitable share

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

DWA refurbishment

	2016 R	2015 R
Balance unspent at beginning of year	23 200 000	10 985 824
Current-year receipts	-	12 214 176
Conditions met - transferred to revenue	(23 200 000)	-
Total	-	23 200 000

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to ensure that the transfered schemes are fully functional and are operational.

Municipal Infrastructure Grant

	2016 R	2015 R
Balance unspent at beginning of year	30 900 000	202 895 351
Current-year receipts	250 000 000	123 000 000
Conditions met - transferred to revenue	(205 237 456)	(59 930 823)
Repayment of unapproved roll over	-	(202 495 350)
Approved roll over 2014-2015	-	(32 569 178)
Total	**75 662 544**	**30 900 000**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to improve access to basic service infrastructure for poor communities.

Finance management grant

	2016 R	2015 R
Current-year receipts	1 205 000	1 250 000
Conditions met - transferred to revenue	(1 205 000)	(1 250 000)
Total	-	-

	2016 R	2015 R

17. Government grants and subsidies (continued)

The purpose of the grant is to improve capacity in financial management.

Rural transport grant

	2016 R	2015 R
Balance unspent at beginning of year	167 206	167 206
Current-year receipts	2 001 000	-
Conditions met - transferred to revenue	(2 082 421)	-
Total	**85 785**	**167 206**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

Extended public works programme grant

	2016 R	2015 R
Balance unspent at beginning of year	-	219 419
Current-year receipts	652 000	-
Conditions met - transferred to revenue	(652 000)	(219 419)
Total	**-**	**-**

Conditions still to be met - remain liabilities (see note 11).

The purpose of the grant is to improve opportunities for sustainable employment due to experience and learning gained.

18. Other income

	2016 R	2015 R
Sundry Income	106 498	115 999
Insurance claims	79 392	208 670
Reconnection fees	2 284 559	2 555 645
Tender fees	630 153	445 710
Commission received	80 202	100 618
Income forgone	-	(517 333)
Total	**3 180 804**	**2 909 309**

Mopani District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

19. General expenses

	2016 R	2015 R
Advertising	598 608	716 138
Bank charges	217 882	146 480
Consulting and professional fees (including legal expenses)	51 785 190	23 576 961
Insurance	5 020 913	6 566 864
Conferences and seminars	375 978	58 190
Development of Road Master Plan	1 948 807	2 235 283
Salga Levies	-	5 909 673
Motor vehicle expenses	144 296	196 407
Fuel and oil	4 544 855	4 445 098
Postage and courier	10 693	359
Training Programme	4 494 021	618 402
Protective clothing	75 510	41 479
Water and electricity	2 991 801	1 529 699
Software expenses	1 258 786	59 355
Membership Fees	47 717	8 204
Performance management	3 058 637	2 519 061
Bursaries	1 610 437	3 235 237
Subsistence and travel	8 909 200	5 078 301
Catering	13 420	-
Audit committee allowance	1 743 695	629 332
Disaster Relief Fund	935 095	973 139
Imbizo	2 335 285	395 722
Forensic Audit	4 854 013	2 125 209
MWIG - projects expenditure	-	869 758
Performance management	936 695	900 520
Stores and materials	4 688 739	29 434 534
Chemicals	6 760 713	-
Other expenses	7 875 142	1 060 296
Free Basic Water	449 126	639 515
Total	**117 685 254**	**93 969 216**

	2016 R	2015 R

20. Employee related costs

Basic	170 220 495	150 874 968
Bonus	13 020 361	10 925 061
Medical aid - company contributions	8 671 586	7 147 885
UIF	1 368 809	1 334 700
Workman compensation	130 345	119 520
SDL	2 257 895	1 984 939
Other payroll levies	6 919 008	6 117 132
Post employments benefits	1 295 874	1 368 344
Defined contribution plans	24 140 968	24 227 476
Overtime payments	31 585 638	17 932 747
Long-service awards	525 706	281 352
Car allowance	15 773 555	12 880 559
Housing benefits and allowances	6 612 280	6 708 897
Leave redemption	8 874 217	8 470 730
Bargaining council	14 508	20 338
Cellphone allowance	44 818	62 754
Pensionable Allowance	1 397 040	-
Shift allowance	614 361	1 338 207
Total	**293 467 464**	**251 795 609**

Remuneration of municipal manager

Annual Remuneration	550 949	978 290
Car Allowance	372 176	642 093
Leave Pay	181 341	-
Contributions to UIF, Medical and Pension Funds	1 190	517 319
Total	**1 105 656**	**2 137 702**

Remuneration of chief finance officer

Annual Remuneration	710 451	385 887
Car Allowance	140 000	-
Contributions to UIF, Medical and Pension Funds	43 879	-
Total	**894 330**	**385 887**

Remuneration of director community services

Annual Remuneration	712 841	710 372
Car Allowance	198 093	144 145
Contributions to UIF, Medical and Pension Funds	127 002	338 080
Total	**1 037 936**	**1 192 597**

Remuneration of director corporate services

Annual Remuneration	836 352	202 213
Car Allowance	236 912	-
Contributions to UIF, Medical and Pension Funds	42 082	-
Total	**1 115 346**	**202 213**

Remuneration of director planning and development

Annual Remuneration	796 264	833 551

	2016 R	2015 R

20. Employee related costs (continued)

Car Allowance	290 394	257 334
Contributions to UIF, Medical and Pension Funds	122 829	394 777
Total	**1 209 487**	**1 485 662**

Remuneration of director engineering services

Annual Remuneration	676 152	755 756
Car Allowance	236 665	235 389
Contributions to UIF, Medical and Pension Funds	184 006	380 777
Total	**1 096 823**	**1 371 922**

Remuneration of director water services

Annual Remuneration	598 710	721 651
Car Allowance	337 763	345 226
Contributions to UIF, Medical and Pension Funds	249 041	506 088
Cell	38 444	36 407
Total	**1 223 958**	**1 609 372**

Remuneration of director office of the executive Mayor

Annual Remuneration	598 199	675 681
Car Allowance	291 689	278 610
Contributions to UIF, Medical and Pension Funds	309 918	101 617
Cell	38 444	36 407
Total	**1 238 250**	**1 092 315**

Executive Mayor's allowances

Annual Remuneration	578 280	504 592
Travel Allowance	208 931	163 239
Cell	20 868	31 769
Total	**808 079**	**699 600**

The Executive Mayor has been provided with a Council vehicle.

Speaker's allowances

Annual Remuneration	459 947	324 713
Travel Allowance	194 264	121 633
Other	20 868	15 651
Total	**675 079**	**461 997**

	2016 R	2015 R

20. Employee related costs (continued)

Ngoepe N.A

Annual Remuneration	174 088	-
Travel Allowance	265 840	-
Travel Claims	3 779	-
	443 707	-

The municipality received an in-kind service from COGHSTA from February 2015 - November 2015 in a form of an Acting Municipal Manager

Sekonya M.R

Annual Remuneration	126 389	-
Travel Allowance	292 008	-
Travel Claims	8 201	-
Total Paid	(426 598)	-
	-	-

The municipality received an in-kind service from COGHSTA from December 2015 - May 2016 in a form of an Acting Municipal Manager.

	2016 R	2015 R

21. Remuneration of Councillors

Councillors' remuneration and allowances	11 797 942	13 497 820
Councillors' pension contribution	520 059	691 431
Total	**12 395 761**	**14 287 171**

Remuneration per councillor - 2016	Salary	Cellphone Allowance	Travel Allowance	Total
Rakgoale C.N	578 280	20 868	208 931	808 079
Sedibeni D.W	460 033	20 868	194 264	675 165
Mushwana O.J	482 638	20 868	259 810	763 316
Mashatola M.Q	49 154	5 217	16 385	70 756
Mathonsi N.V	78 832	10 434	55 676	144 942
Lewele M	165 571	20 868	158 559	344 998
Machethe L.N	178 531	20 868	72 925	272 324
Nkuna C.	245 481	20 868	86 290	352 639
Ramaremela T.P	433 368	20 868	250 540	704 776
Moshobane S.H	446 328	20 868	229 873	697 069
Hlatshwayo C	274 174	20 868	130 179	425 221
Maloko M.L	165 571	20 868	73 894	260 333
Ngobeni A	199 398	20 868	62 756	283 022
Nkanyani R.P	446 328	20 868	183 349	650 545
Mabasa H	178 531	20 868	97 096	296 495
Rakganya M.P	178 531	20 868	99 311	298 710
Monyela K.J	199 398	20 868	69 888	290 154
Mokoele S.G	178 531	20 868	66 058	265 457
Cronje P.W	178 531	20 868	62 756	262 155
Mabunda M.A	178 531	20 868	62 756	262 155
Makhubele M	35 450	-	28 218	63 668
Moshwana T.J	35 450	-	63 996	99 446
Rikhotso Q	35 450	-	38 336	73 786
Mushwana D.G	26 770	-	8 381	35 151
Mohale N.L	29 167	-	41 367	70 534
Ndove L	446 328	20 868	210 334	677 530
Mbhalati H.S	29 167	-	45 214	74 381
Sibiya M	274 174	20 868	190 718	485 760
Mokgobi M.L	29 167	-	73 572	102 739
Makwala C	29 167	-	9 180	38 347
Mafona M.E	35 450	-	21 286	56 736
Selowa M.G	35 450	-	54 973	90 423
Senyolo T.J	35 450	-	11 157	46 607
Mamogale M.C	29 167	-	22 464	51 631
Flemming G.J	2 748	-	916	3 664
Malesa G	35 450	-	11 157	46 607
Makwala O	35 450	-	43 517	78 967
Mashele J.G	35 450	-	51 095	86 545
Mametja M.R	498 497	20 868	222 682	742 047
Makhurupetji Malatji M.N	446 328	20 868	256 162	723 358
Mohlala F	178 531	20 868	64 676	264 075
Mabale S.P	35 450	-	28 221	63 671
Mantlhaka A.M	35 450	-	42 520	77 970
Mashele MB	29 167	-	13 112	42 279
Mokgolobotho M.J	22 384	-	12 771	35 155
Mathebula M.V	27 206	-	19 303	46 509
Manganyi T.C	27 206	-	22 090	49 296
Fuela H	27 206	-	14 771	41 977
Mbhalati M.F	22 384	-	26 837	49 221
	7 860 454	**495 615**	**4 090 322**	**12 446 391**

21. Remuneration of Councillors (continued)

Remuneration per councillor - 2015	Salary	Cellphone Allowance	Travel Allowance	Total
Rakgoale C.N	504 592	31 769	163 239	699 600
Sedibeng W.D	324 713	15 651	121 633	461 997
Matlou L.J	167 196	1 033	22 814	191 043
Mathonsi N.V	366 190	21 864	136 775	524 829
Mushwana O.J	583 683	21 864	269 255	874 802
Lewele M.M	290 330	21 864	96 146	408 340
Machethe L.N	307 610	21 864	76 399	405 873
Manganyi H.G	166 448	3 851	14 663	184 962
Nkuna C	292 187	29 340	71 525	393 052
Ramaremela T.P	502 075	21 241	217 605	740 921
Moshobane H.S	450 995	33 701	186 030	670 726
Hlatswayo C	324 374	29 340	109 586	463 300
Maloko M.L	290 330	21 864	74 389	386 583
Ngobeni L.R	263 880	29 340	60 163	353 383
Nkanyani R.P	541 157	21 864	204 936	767 957
Mabasa M.H	216 463	29 340	92 114	337 917
Raganya M.P	216 463	29 340	96 381	342 184
Monyela K.J	240 386	29 340	54 702	324 428
Mokoele S.G	216 463	29 340	53 161	298 964
Cronje P.W	216 463	29 340	53 161	298 964
Mabunda M.A	216 463	29 340	53 161	298 964
Makhubele P.P	7 408	-	46 457	53 865
Makhubele B.M	31 190	-	71 034	102 224
Baloyi H.I	265 374	16 684	104 294	386 352
Makhubele T.A	76 375	-	4 139	80 514
Moshwana T.J	76 375	-	28 312	104 687
Rikhotso A	36 412	-	773	37 185
Rikhotso M.Q	76 375	-	28 426	104 801
Ncha M.L	37 060	-	3 523	40 583
Mushwana D.G	60 299	-	11 081	71 380
Mohale N.L	60 299	-	43 432	103 731
Ndove D.L	390 032	17 307	132 961	540 300
Mbhalati J.H.S	60 299	-	20 130	80 429
Sibiya M	254 221	16 684	125 077	395 982
Mokgobi M.L	60 299	-	28 201	88 500
Makwala S.C	60 299	-	15 698	75 997
Mafona M.E	76 375	-	16 188	92 563
Selowa M.G	186 375	-	26 534	212 909
Makhurupetji - Malatji M.N	390 032	17 307	132 961	540 300
Senyolo T.J	76 375	-	4 139	80 514
Mamogale M.C	60 299	-	2 261	62 560
Flemming C.L	77 228	-	18 345	95 573
Malesa M.G	77 228	-	2 748	79 976
Makwala M.O	77 228	-	47 477	124 705
Mashele J.G	77 228	-	50 241	127 469
Mametja M.R	446 852	17 307	183 857	648 016
Magoro M.C	44 934	-	10 875	55 809
Makhura M.N	428 206	30 586	222 863	681 655
Mohlala M.F	216 463	29 340	65 670	311 473
Siwela M.D	40 091	-	12 445	52 536
Mabale S.P	76 375	-	20 977	97 352
Mantlhakga A.M	76 375	-	41 013	117 388
Rababalela T.J	2 319	-	34 866	37 185
Mashele M.B	14 127	-	2 261	16 388
	10 694 888	**647 705**	**3 787 097**	**15 129 690**

	2016 R	2015 R

22. Regional bulk infrastructure projects

Regional bulk infrastructure projects expenditure	22 532 576	13 564 075

23. Debt impairment

Debt impairment	8 467 061	2 776 708

Included in the debt impairment are long oustanding debtors from the five Local Municipalities within the District on Water and Sewer accounts.

24. Depreciation and amortisation

Property, plant and equipment	174 396 845	165 947 321

25. Interest paid

Interest paid	1 843 130	461 993

26. Contracted services

Information technology services	6 394 178	4 265 528
Fleet Services	3 894 315	-
Operating leases	3 428 049	1 252 092
Specialist services	6 701 124	6 460 139
Agency fee	12 227 622	11 404 676
Total	**32 645 288**	**23 382 435**

27. Bulk purchases

Water	332 500 214	186 532 674

The district municipality purchase bulk water on behalf of local municipalities.

28. Cash generated from operations

(Deficit) surplus	(19 209 980)	69 961 023
Adjustments for:		
Depreciation and amortisation	174 396 845	165 947 321
Loss on disposal of assets and liabilities	1 125 366	177 017
Debt impairment	8 467 061	2 776 708
Movements in provisions	8 056 578	45 956 828
Water and sanitation transactions	387 673 653	44 475 843
Changes in working capital:		
Inventories	(146 700)	18 189 958
Receivables from exchange transactions	(173 378 475)	129 396 740
Consumer debtors	(165 232 214)	(82 043 433)
Payables from exchange transactions	278 037 325	52 526 569
VAT	(6 602 874)	(46 840 889)
Taxes and transfers payable (non exchange)	870 307	107 858
Unspent conditional grants and receipts	10 963 472	(123 103 450)
Consumer deposits	1 978 705	1 035 605
	506 999 069	**278 563 698**

Notes to the Financial Statements

	2016 R	2015 R
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	428 598 922	433 303 568
Total capital commitments		
Already contracted for but not provided for	428 598 922	433 303 568

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

	2016	2015
	R	R

30. Contingent liabilities

Plaintiff/ Mopani District Municipality
The matter involves a service provider who did not honour his obligation to the supplier of material. And as a result same sued the MDM and the Constractor for dishounouring the agreement. The case is pending. The claim against the municipality amounts to 4 000 000.00.

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM for the injury she suffered at MDM sewerage minehall in Modjadjiskloff. The case is pending. The claim against the municipality amounts to 2 000 000.00.

Plaintiff/ Pastor Mafumo & MDM
The plaintiff is suing MDM as a result of motor vehicle collision involving MDM employee. The case is pending. The claim against the municipality is amounts to 150 000.00

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM as a result of motor vehicle collision involving MDM employee. The case is pending. The claim agaist the municipality amounts to 150 000.00.

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for awarding the tender to a JV which was not qualifying. JV grading was 8 and the tender was for a grade 9 company. The case is pending.
The claim against the municipality amounts to 10 000 000.00

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for cancelling the contract to build and office building in Tzaneen disaster center.The case is pending. The claim against the municipality amounts to 30 000 000.00

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM as a result of veld fire at a farm belonging to Greater Tzaneen Municipality. MDM is sued for been responsible for fire services and disaster management.
The claim against the municipality amounts to 25 000 000.00

Plaintiff / Mopani District Municipality
The plaintiff is suing the municipality for breach of contract and for the release of retention monies and guarantee monies. The claim against the municipality amount to 4 500 000.00.

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for failure to prevent a veld fire. The case is pending The claim agaist the municipality amounts to R5 000 000.

Plaintiff / Mopani District Municipality
The matter involves an Interdict: Stopping the implementation of the Kampersrus Sewer reticulation line Phase 2. The case is partly resolved in court. The claim against the municipality amounts to 36 000 000.00.

Plaintiff / Mopani District Municipality
The plaintiff is claiming money as per the cession agreement. The claim against the municipality amounts to 2 100 000.00

Plaintiff / Mopani District Municipality
The plaintif is suing MDM for services rendered in respect of the installation of boreholes and transformers in Giyani area. The claim against the municipality amounts to 413 900.

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for failing to honour its financial obligations. The case is pending. The claim against the municipality amounts to 30 000 000.00.

Plaintiff / Leb P Construction & MDM and others.
The plaintiff is suing MDM for failing to honour its financial obligations. The case is pending. The claim agaist the municipality amounts to 2 000 000.00.

Notes to the Financial Statements

	2016 R	2015 R

30. Contingent liabilities (continued)

Plaintiff / Tlong Re Yeng JV & MDM
SARS intends to collect money owed by the JV from MDM coffers. The case is pending.
The claim against the municipality amounts to 143 447.17.

Contingent assets

Kgafela Construction CC
Mopani district municipality sued Kgafela Construction CC for R14,140,976.84 for damages allegedly occasioned by Kgafela's failure to adhere to tender conditions. Legal costs are estimated at 2 000 000.
SARS
Mopani District Municipality submitted VAT returns amounting to R44 071 764.97 relating to prior years after the municipality changed from invoice basis to the payments basis.

31. Related parties

Relationships	
Accounting Officer	Refer to disclosure note on remuneration of senior management
Audit Committee	Refer to General Information page for details on composition of the Audit Committee
Members of Key Management	Refer Refer to disclosure note on remuneration of senior management
Remuneration of Councillors	Refer to disclosure note on remuneration of Councillors
Lepelle Northern Water	Lepelle Northern Water has been appointed to implement various projects in the Greater Giyani Municipality as an intervention by the Nationa Deparment of Water and Sanitation

32. Prior period errors

1. PPE valuation, completeness and existence differences where discovered during the audit in 2015. A reassesment was done on the entire PPE population. Differences where identified, and corrected.
2. SARS disallowed the calculation for the change in accounting basis. An adjustment was made to correct the VAT receivable.
3. MDM did not take into consideration the adjustment that came due to the change in accounting basis that took place in May 2013. Adjustment was made to correct the understament of VAT receivable in May 2013.
4. MDM did not take into account the VAT receivable as per the agreement reached with SARS. An adjustment was made to correct the closing balance on VAT in the prior year.
5. MDM incorrectly closed on a negetive VAT balance of -R33 230 534.82. This resulted in VAT receivable being understated with R58 992 797.72 and the accumulated surplus being overstated with R33 230 534.82. Nov 2014, April 2015, May & June 2015. An adjustment to correct understatement of VAT receivable in the 2014/15 financial year.
6. In the 2014/15 financial year, the inter municipality loan account with Maruleng was overstated and the amount did not agree to the audited balance at Maruleng Local Municipality. An adjustment of R8 513 578.00 was made to correct the inter - municipal loan account in the 2014/15.
7. In the 2014/15 financial year, the net amount of sewer recorded at R332 950 agrees to the sewer basic charge per Maruleng however there was an originating entry error as the revenue was posted as a debit instead of a credit.
8. MDM did not account for VAT output amouting to R54 206 138.66 on the Ba - Phalaborwa water services in the prior periods 2011 - 2014.
9. MDM did not account for VAT output amounting to R7 935 290.07 on the Ba - Phalaborwa sewer services in the prior periods 2011 - 2014. An adjustement of R7 935 290 138.66 was made to correct the error.
10. MDM did not account for water revenue collected amounting to R132 944 901.76 on the Ba - Phalaborwa water service in the prior periods 2011 - 2014. An adjustment of R132 944 901.76 was made to correct the error in the prior year.
11. MDM did not account for sewer revenue collected amounting to R15 428 163.81 on the Ba - Phalaborwa sewer services in the prior periods 2011 - 2014. An adjustment of R15 428 163.81 was made to correct the error in the prior year.
12. MDM did not account for an amount of R9 706 636.95 for Ba - Phalaborwa consumer debtors on sanitation services in the prior periods 2010 - 2014. An adjustment of R9 706 636.95 was made to correct the error in the prior year.
13. MDM did not account for an amount of R56 252 906.61 for Ba - Phalaborwa consumer debtors on sewer services in the prior periods 2010 - 2014. An adjustment of R56 252 906.61 was made to correct the error in the prior year.
14. MDM has incorrectly accounted for Ba - Phalaborwa water revenue in the 2014-2015 financial year. An adjustment of R104 041 410.13 was made to correct the error. An adjustment of R104 041 410.13 was made to correct the error in the prior year.
15. MDM has incorrectly accounted for Ba - Phalaborwa sewer revenue in the 2014 - 2015 financial year. An adjustment of R13 972 092.08 was made in the prior year to correct the error.
16. MDM did not recognize water and VAT collectiosn for Ba - Phalaborwa in the 2014-15 financial year. An adjustment of R71 270 602.77 was made in the prior year to correct the error.
17. MDM did not recognize sewer and VAT collections for Ba - Phalaborwa in the 2014-15 financial year. An adjustment of R8 449 850.34 was made in the prior year to correct the error.
18. MDM did not account for water services VAT output for Ba - Phalaborwa in the 2014-15 financial year. An adjustement of R15 261 705.12 was made in the prior period to correct the error.
19. MDM did not account for sanitation services VAT output for Ba - Phalaborwa in the 2014-15 financial year. An adjustment of R1 953 485.04 was made in the prior period to correct the error.
20. MDM has incorrectly accounted for water revenue for Ba - Phalaborwa in the 2014 -15 financial year. An adjustement of R30 363 489.76 was made in the prior period to correct the error.
21. MDM has incorrectly accounted for sewer revenue for Ba - Phalaborwa in the 2014 - 15 financial year. An adjustment of R3 922 274.02 was made in the prior period to correct the error.
22. MDM has understated commision in the 2011 - 2015 prior years on the Ba - Phalaborwa Loan account. An adjustment of R1 726 413.58 was made in the prior years to effect corrections.
23. MDM has understated BPM VAT on commision in the 2011 - 2015 prior years. An adjustment of R1 596 654.63 was made in the prior years to effect corrections.
24. MDM has not accounted for water expenses incured by Greater Giyani Municipality in the 2014-15 financial year. An adjustment of R5 450 117.06 was made in the 2014-15 financial year to effect the correction.
25. MDM has not accounted for sewarage expenses incurred by Greater Giyani Municipality in the 2014-15 financial year. An adjustment of R1 071 733.04 was made in the 2014-15 financial year to effect the correction.
26. MDM did not recognise water purchases incurred by Greater Giyani Municipality in the 2014-15 financial year. An adjustment of R1 145 914.00 was made in the 2014-15 financial year to effect the changes.
27. MDM overstated provision for long service awards for Greater Giyani Municipality in the 201-15 financial year. An adjustment R13 828.00 was effected to make the necessary correction.
28.

Notes to the Financial Statements

Figures in Rand

32. Prior period errors (continued)

Adjustment affecting the Statement of Financial Position		
Adjustment to correct understatement of PPE cost opening balance in MDM accounting records.	-	107 476 754
Adjustment to correct understatement of VAT receivable in the 2012/13 financial year	-	(49 765 748)
Adjustment to correct understatement of VAT receivable in the 2012/13 financial year	-	32 925 148
Adjustment of the closing balance on VAT in prior period	-	14 559 577
Adjustment to correct understatement of VAT receivable in the 2014/15 financial year	-	92 223 333
Adjustment to correct understatement of VAT receivable in the 2014/15 financial year	-	109 594 360
Adjustment of Maruleng Inter - municipality loan account	-	8 513 578
Adjustment to correct understatement of sewer basic charge revenue erroneously recorded as a debit instead of a credit in the prior year in MDM accounting records.	-	665 900
Adjustment to correct sanitation consumer debtor - BPM not accounted in the prior periods 2010-14	-	9 706 637
Adjustment to correct sanitation consumer debtor - BPM not accounted in the prior periods 2010-14	-	56 252 907
Recognition of water collection and VAT collections - BPM in the 2014/15 financial year	-	(71 270 603)
Recognition of sanitation collection and VAT collections - BPM in the 2014/15 financial year	-	(8 449 850)
Adjustment of water services VAT output - BPM not accounted for in the 2014/15 financial year	-	(15 261 705)
Adjustment of sanitation services VAT output - BPM not accounted for in the 2014/15 financial year	-	(1 953 485)
Adjustment to correct the incorrect balance in BPM loan account for 2014/15 financial year	-	(180 104 785)
Adjustment to correct water expenses incured by Greater Giyani Municipality in the 2014-15 financial year.	-	5 450 117
Adjustment to correct sewerage expenses incured by Greater Giyani Municipality in the 2014-15 financial year.	-	1 071 733
Adjustment to correct water purchases incurred by Greater Giyani Municipality in the 2014-15 financial year.	-	1 145 914
Adjustment of opening balance for water and sewer expenses not recognised by Greater Giyani Municipality	-	(8 543 015)
	-	-
	-	-
Adjustment affecting the Statement of Financial Perfomance		
Adjustment to correct understatement of PPE depreciation in MDM accounting records.	-	(10 201 208)
Projects donated	-	130 018 597
Adjustment to correct understatement of sewer basic charge revenue erroneously recorded as a debit instead of a credit in the prior year in MDM accounting records.	-	(665 900)
Adjustment to correct VAT output on Ba - Phalaborwa water services not accounted in the 2011-14 years	-	(54 206 139)
Adjustment to correct VAT output on Ba - Phalaborwa sewer services not accounted for in the 2011-14 prior years	-	(7 935 290)
Adjustment to correct Ba - Phalaborwa water revenue collections in the 2011-14 prior years	-	(132 944 902)
Adjustment to correct Ba - Phalaborwa water revenue collections in the 2011-14 prior years	-	(15 428 164)
Adjustment to correct Ba - Phalaborwa water revenue in the 2014/15 financial year	-	104 041 410
Adjustment to correct Ba - Phalaborwa sewer revenue in the 2014/15 financial year	-	13 972 092
Adjustment water revenue - BPM accounted incorrecly in the 2014/15 financial	-	(30 363 490)
Adjustment sanitation revenue - BPM accounted incorrecly in the 2014/15 financial	-	(3 922 274)
	-	-
Net Increase/Decrease in accumulated surplus	**-**	**(96 601 499)**

32. Prior period errors (continued)

Statement of Financial Position as at 30 June 2016	Balance as previously reported	Prior Period Error	Reclassified (note 37)	Restated balance
Assets				
Current Assets				
Inventories	15 548 740	1 245 915	-	16 794 655
Receivables from exchange transactions	338 752 968	(184 505 691)	-	154 247 277
VAT receivable	11 303 986	94 292 083	-	105 596 069
Consumer Debtors	298 578 682	(10 870 398)	-	309 449 080
Cash and Cash equivalents	114 326 792	-	-	114 326 792
Total Current Assets	**778 511 168**	**(99 838 091)**	**-**	**700 413 873**
Non-current Assets				
Property, plant and equipment	4 505 017 113	(47 594 887)	-	4 457 422 226
Intangible assets	9 607 840	-	-	9 607 840
Heritage Assets	432 000	-	-	432 000
Total non-current assets	**4 515 056 953**	**(47 594 887)**	**-**	**4 467 462 066**
Liabilities				
Current liabilities				
Finance lease obligation	1 064 138	-	-	1 064 138
Payables from exchange transactions	900 999 697	18 996 559	-	919 996 256
Consumer deposits	4 385 240	-	-	4 385 240
Unspent conditional grants and receipts	85 590 344	(20 355 001)	-	65 235 343
Leave Provision	-	-	30 660 455	30 660 455
Bonus Provision	-	-	5 789 887	5 789 887
Total current liabilities	**992 039 419**	**(1 358 442)**	**36 450 342**	**1 027 131 319**
Non current liabilities				
Finance lease obligation	3 054	(3 054)	-	-
Provisions (Employee Costs)	54 346 625	15 957 018	-	70 303 643
Total non-current liabilities	**54 349 679**	**15 953 964**	**-**	**70 303 643**
Net assets				
Accumulated surplus-opening balance	4 241 939 762	-	-	4 241 939 762
Surplus/deficit)	20 913 573	-	660 687	21 574 260
	4 262 853 335	**-**	**660 687**	**4 263 514 022**

Statement of Financial Performance for the year ended 30 June 2016	Balance as previously reported	Prior period error	Reclassified (Note 37)	Total
Revenue				
Service charges	158 809 610	34 951 664	-	193 761 274
Interest earned-outstanding receivables	15 905 432	-	-	15 905 432
Other income	2 909 309	-	-	2 909 309
Interest received	3 405 705	-	-	3 405 705
Government grants and subsidies	672 387 419	32 569 177	-	704 956 596
Total revenue	**853 417 475**	**67 520 841**	**-**	**920 938 316**
Expenditure				
Employee Costs	(251 135 615)	(659 994)	-	(257 056 454)
Remuneration of Councillors	(14 287 171)	-	-	(14 287 171)

32. Prior period errors (continued)

Regional Bulk Infrastructure Projects Expenditure	(13 564 075)	-	-	(13 564 075)
Mopani Household Sanitation	(3 321 949)	-	-	(3 321 949)
Depreciation and amortisation	(156 287 882)	9 659 439	-	(164 645 477)
Finance Costs	(461 993)	-	-	(461 993)
Debt Impairment	(2 776 708)	-	-	(2 776 708)
Repairs and Maintenance	(90 986 663)	-	-	(90 986 663)
Bulk Purchases	(186 532 674)	-	-	(186 532 674)
Contracted services	(11 826 975)	-	(11 555 460)	(23 382 435)
General Expenses	(95 437 784)	-	(1 004 050)	(96 441 834)
Impairment loss	(1 301 844)	-	-	(1 301 844)
Total expenditure	**(827 921 333)**	**8 999 445**	**(12 559 510)**	**(854 759 277)**
Operating surplus/(deficit)	21 090 590	52 851 313	-	73 941 903
Loss on disposal of assets and liabilties	(177 017)	-	-	(177 017)
	20 913 573	**52 851 313**	**-**	**73 764 886**

33. Unauthorised expenditure

Unathorised expenditure - Current Year	10 059 501	1 038 038

34. Fruitless and wasteful expenditure

Fruitless and Wasteful expenditure - Current Year	119 126	62 052
	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**119 126**	**62 052**

35. Irregular expenditure

Opening balance	-	-
Irregular Expenditure - current year	21 392 800	2 140 162
Irregular Expenditure awaiting condonement	**21 392 800**	**2 140 162**

The irregular expenditure has been tabled to Council and is investigated by a Council Committee.

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	3 819 715	7 409 673
Amount paid - current year	(3 819 715)	(7 409 673)
	-	-

PAYE and UIF

Current year subscription / fee	27 178 901	26 726 239
Amount paid - current year	(27 178 901)	(26 726 239)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	9 461 495	12 739 140
Amount paid - current year	(9 461 495)	(12 739 140)
	-	-

VAT

VAT receivable	112 198 943	105 596 069

VAT is payable on the cash basis as from the 30th May 2013. VAT input receivables and VAT output receivable is shown in note 7. All VAT returns have been submitted by the due date throughout the year.

37. Deviation from supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the quarter amounted to **R4 283 332.37** **(2015: R13 749 637.26)** which has been tabled to council for noting in terms of Section 36(2).

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements
Major deviations related to emergency procurement of borehole spares and pipes in order to avoid interuption of essential service (Water Supply).

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

38. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance The financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

38. Budget differences (continued)

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

39. In Kind Service

OGHSTA has provided an in kind service in the form an Acting Municipal Manager.

40. Distribution Losses

Sales (kl) Total	-	762 961
Purchases (Kl) Total	-	2 025 325
Percentage water losses at the plants (%)	-	4

Mopani District Municipality (MDM) as a Water Service Authority (WSA) has service level agreements with its five Local Municipalities, the Local Municpalities distribute water to the consumers on its behalf above are the distribution losses incurred.

The distribution loss percentage is high because it also includes the following elements that comprise non-revenue water:-
i

1. Unathorised Consumption
2. Overflows from water storage
3. Unbilled metered consupmtion

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	11 980 776	-	-	-	-	-	11 980 776	-	-	-	-	-	-	11 980 776
Buildings	163 311 355	-	-	-	-	65 692 144	229 003 499	(57 551 076)	(7 546 996)	-	-	-	(65 098 072)	163 905 427
	175 292 131	-	-	-	-	**65 692 144**	**240 984 275**	(57 551 076)	(7 546 996)	-	-	-	(65 098 072)	**175 886 203**
Infrastructure														
Sewer Pump Station	25 367 151	444 474	-	-	-	152 146 363	**177 957 988**	(11 729 142)	(1 180 578)	-	-	-	**(12 909 720)**	165 048 268
Collection/ Reticulation Network	774 380 097	-	-	-	-	-	**774 380 097**	(265 390 307)	(15 487 602)	-	-	-	**(280 877 909)**	493 502 188
Waste Water Treatment	368 000 254	-	-	-	-	-	**368 000 254**	(202 136 660)	(14 402 063)	-	-	-	**(216 538 723)**	151 461 531
Water Treatment	582 450 390	-	-	-	-	-	**582 450 390**	(238 957 472)	(18 271 407)	-	-	-	**(257 228 879)**	325 221 511
Storage	1 579 629 043	2 371 348	-	-	-	302 120 109	**1 884 120 500**	(839 851 613)	(32 839 647)	-	-	-	**(872 691 260)**	1 011 429 240
Bulk Supply	54 848 799	-	-	-	-	-	**54 848 799**	(607 094)	(1 096 976)	-	-	-	**(1 704 070)**	53 144 729
Distribution/ Reticulation Network	3 325 440 185	85 326	-	-	-	-	**3 325 525 511**	(1 233 936 413)	(56 437 973)	-	-	-	**(1 290 374 386)**	2 035 151 125
Boreholes	267 211 334	68 135 536	-	-	-	-	**335 346 870**	(108 175 025)	(18 670 878)	-	-	-	**(126 845 903)**	208 500 967
Water Pump Station	60 568 587	-	-	-	-	-	**60 568 587**	(31 882 080)	(2 309 304)	-	-	-	**(34 191 384)**	26 377 203
Water Storage & Pump Station	18 593 978	-	-	-	-	-	**18 593 978**	(9 883 302)	(550 390)	-	-	-	**(10 433 692)**	8 160 286
	7 056 489 818	**71 036 684**	-	-	-	**454 266 472**	**7 581 792 974**	**(2 942 549 108)**	**(161 246 818)**	-	-	-	**(3 103 795 926)**	**4 477 997 048**
Community Assets														

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Constructionl Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Mayoral Chain	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
	432 000	-	-	-	-	-	**432 000**	-	-	-	-	-	-	**432 000**
Specialised vehicles														
Other assets														
Fire Fighting equipment/fire hourses	184 497	-	-	-	-	-	**184 497**	(117 537)	(18 608)	-	-	-	(136 145)	48 352
Emergency / rescue equipment	3 634 183	19 000	(4 700)	-	-	-	**3 648 483**	(2 496 746)	(224 172)	3 589	-	-	(2 717 329)	931 154
Training equipment	850	-	-	-	-	-	**850**	(355)	(153)	-	-	-	(508)	342
Trucks, buses and LDVs	15 430 893	-	-	-	-	-	**15 430 893**	(1 652 226)	(1 151 766)	-	-	-	(2 803 992)	12 626 901
Passenger Vehicles	6 935 840	524 892	-	-	-	-	**7 460 732**	(1 503 700)	(555 331)	-	-	-	(2 059 031)	5 401 701
Emergency vehicles	10 291 410	-	-	-	-	-	**10 291 410**	(1 813 973)	(655 393)	-	-	-	(2 469 366)	7 822 044
Trailers and accessories	558 800	-	-	-	-	-	**558 800**	(136 154)	(22 357)	-	-	-	(158 511)	400 289
Tractors	7 115 540	-	-	-	-	-	**7 115 540**	(1 014 123)	(1 983 489)	-	-	-	(2 997 612)	4 117 928
Tables and desks	1 483 483	29 000	(5 300)	-	-	-	**1 507 183**	(735 605)	(164 839)	3 882	-	-	(896 562)	610 621
Chairs and couches	1 447 794	65 708	(14 761)	-	-	-	**1 498 741**	(763 418)	(161 106)	9 100	-	-	(915 424)	583 317
Shelving and bookcases	241 818	-	-	-	-	-	**241 818**	(102 519)	(30 205)	-	-	-	(132 724)	109 094
Cabinets and cupboards	799 247	21 379	-	-	-	-	**820 626**	(401 412)	(91 126)	-	-	-	(492 538)	328 088
Beds	181 876	-	(2 499)	-	-	-	**179 377**	(134 971)	(10 489)	2 249	-	-	(143 211)	36 166
Other furniture and fittings	201 259	15 904	-	-	-	-	**217 163**	(92 699)	(25 694)	-	-	-	(118 393)	98 770
Plant and equipment Other	961 666	49 433	(12 940)	-	-	-	**998 159**	(551 311)	(92 665)	8 090	-	-	(635 886)	362 273
Generators	1 840 202	-	(39 999)	-	-	-	**1 800 203**	(970 761)	(163 362)	9 285	-	-	(1 124 838)	675 365
Radio equipment	82 020	-	-	-	-	-	**82 020**	(42 612)	(11 345)	-	-	-	(53 957)	28 063
Compressors	126 557	1 916	-	-	-	-	**128 473**	(64 260)	(13 583)	-	-	-	(77 843)	50 630
Earth moving equipments	540 000	-	-	-	-	-	**540 000**	(115 708)	(48 600)	-	-	-	(164 308)	375 692
Sports equipment	1 500	-	-	-	-	-	**1 500**	(982)	(164)	-	-	-	(1 146)	354
Sport and recreational equipment	415	-	-	-	-	-	**415**	(314)	(16)	-	-	-	(330)	85
Lawnmowers/ gardening equipment	18 915	99 995	(5 351)	-	-	-	**113 559**	(8 697)	(11 295)	982	-	-	(19 010)	94 549
Lab equipment	42 903	-	-	-	-	-	**42 903**	(28 733)	(4 145)	-	-	-	(32 878)	10 025
Office machines	455 803	22 000	(800)	-	-	-	**477 003**	(300 803)	(36 192)	542	-	-	(336 453)	140 550
Domestic equipment	166 291	33 111	-	-	-	-	**199 402**	(103 448)	(21 758)	-	-	-	(125 206)	74 196
Computer hardware	2 576 122	460 846	(105 817)	-	-	-	**2 931 151**	(1 518 073)	(347 965)	78 333	-	-	(1 787 705)	1 143 446
Office equipment - Other	100 274	17 418	(3 800)	-	-	-	**113 892**	(64 474)	(12 036)	2 576	-	-	(73 934)	39 958
Audiovisual equipment	517 009	15 439	(21 336)	-	-	-	**511 112**	(326 810)	(50 108)	18 836	-	-	(368 082)	143 030
Air Conditioners	774 941	78 967	(13 659)	-	-	-	**840 249**	(526 316)	(75 734)	12 567	-	-	(589 483)	250 766
Workshop equipment and tools	608 727	77 051	(5 851)	-	-	-	**679 927**	(325 124)	(73 350)	3 881	-	-	(394 593)	285 334
Specialized Vehicles	1 677 000	-	-	-	-	-	**1 677 000**	(120 699)	(53 664)	-	-	-	(174 363)	1 502 637
	58 997 835	**1 532 059**	**(236 813)**	-	-	-	60 293 081	(16 034 563)	(6 120 710)	153 912	-	-	(22 001 361)	38 291 720

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	175 292 131	-	-	-	-	65 692 144	240 984 275	(57 551 076)	(7 546 996)	-	-	-	(65 098 072)	175 886 203
Infrastructure	7 056 489 818	71 036 684	-	-	-	454 266 472	7 581 792 974	(2 942 549 108)	(161 246 818)	-	-	-	(3 103 795 926)	4 477 997 048
Heritage assets	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
Other assets	58 997 835	1 532 059	(236 813)	-	-	-	60 293 081	(16 034 563)	(6 120 710)	153 912	-	-	(22 001 361)	38 291 720
	7 291 211 784	**72 568 743**	**(236 813)**	**-**	**-**	**519 958 616**	**7 883 502 330**	**(3 016 134 747)**	**(174 914 524)**	**153 912**	**-**	**-**	**(3 190 895 359)**	**4 692 606 971**
Agricultural/Biological assets														
Intangible assets														
Computer Software	1 097 760	480 000	-	-	-	-	1 577 760	(465 469)	(288 263)	-	-	-	(753 732)	824 028
Servitude	13 991 354	-	-	-	-	-	13 991 354	(5 015 805)	(699 568)	-	-	-	(5 715 373)	8 275 981
	15 089 114	**480 000**	**-**	**-**	**-**	**-**	**15 569 114**	**(5 481 274)**	**(987 831)**	**-**	**-**	**-**	**(6 469 105)**	**9 100 009**
Leased Assets														
Office Equipment	5 065 008	-	(5 032 283)	-	-	-	32 725	(4 095 229)	(966 982)	5 032 283	-	-	(29 928)	2 797
	5 065 008	**-**	**(5 032 283)**	**-**	**-**	**-**	**32 725**	**(4 095 229)**	**(966 982)**	**5 032 283**	**-**	**-**	**(29 928)**	**2 797**
Total														
Land and buildings	175 292 131	-	-	-	-	65 692 144	240 984 275	(57 551 076)	(7 546 996)	-	-	-	(65 098 072)	175 886 203
Infrastructure	7 056 489 818	71 036 684	-	-	-	454 266 472	7 581 792 974	(2 942 549 108)	(161 246 818)	-	-	-	(3 103 795 926)	4 477 997 048
Heritage assets	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
Other assets	58 997 835	1 532 059	(236 813)	-	-	-	60 293 081	(16 034 563)	(6 120 710)	153 912	-	-	(22 001 361)	38 291 720
Intangible assets	15 089 114	480 000	-	-	-	-	15 569 114	(5 481 274)	(987 831)	-	-	-	(6 469 105)	9 100 009
Leased Assets	5 065 008	-	(5 032 283)	-	-	-	32 725	(4 095 229)	(966 982)	5 032 283	-	-	(29 928)	2 797
	7 311 365 906	**73 048 743**	**(5 269 096)**	**-**	**-**	**519 958 616**	**7 899 104 169**	**(3 025 711 250)**	**(176 869 337)**	**5 186 195**	**-**	**-**	**(3 197 394 392)**	**4 701 709 777**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	11 980 776	-	-	-	-	-	11 980 776	-	-	-	-	-	-	11 980 776
Buildings	163 311 355	-	-	-	-	65 692 144	229 003 499	(50 576 294)	(6 974 782)	-	-	-	(57 551 076)	171 452 423
	175 292 131	-	-	-	-	**65 692 144**	**240 984 275**	**(50 576 294)**	**(6 974 782)**	-	-	-	**(57 551 076)**	**183 433 199**
Infrastructure														
Sewer Pump Station	25 367 151	-	-	-	-	119 868 143	145 235 294	(10 576 782)	(1 152 360)	-	-	-	(11 729 142)	133 506 152
Collection / Reticulation Network	774 380 097	-	-	-	-	-	774 380 097	(249 902 705)	(15 487 602)	-	-	-	(265 390 307)	508 989 790
Waste Water Treatment	368 000 254	-	-	-	-	-	368 000 254	(187 734 597)	(14 402 063)	-	-	-	(202 136 660)	165 863 594
Water Treatment	477 874 996	104 575 394	-	-	-	-	582 450 390	(223 527 058)	(15 430 415)	-	-	-	(238 957 473)	343 492 917
Storage	1 579 620 626	8 417	-	-	-	151 515 043	1 731 144 086	(807 103 272)	(32 748 341)	-	-	-	(839 851 613)	891 292 473
Bulk Supply	-	54 848 799	-	-	-	-	54 848 799	-	(607 094)	-	-	-	(607 094)	54 241 705
Distribution / Reticulation Network	3 324 659 860	780 324	-	-	-	-	3 325 440 184	(1 177 499 936)	(56 436 475)	-	-	-	(1 233 936 411)	2 091 503 773
Boreholes	266 969 475	241 859	-	-	-	-	267 211 334	(94 053 492)	(14 121 532)	-	-	-	(108 175 024)	159 036 310
Water Pump Station	60 568 587	-	-	-	-	-	60 568 587	(29 572 776)	(2 309 304)	-	-	-	(31 882 080)	28 686 507
Water Storage & Pump station	18 593 978	-	-	-	-	-	18 593 978	(9 332 912)	(550 390)	-	-	-	(9 883 302)	8 710 676
	6 896 035 024	**160 454 793**	-	-	-	**271 383 186**	**7 327 873 003**	**(2 789 303 530)**	**(153 245 576)**	-	-	-	**(2 942 549 106)**	**4 385 323 897**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Mayoral Chain	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
	432 000	-	-	-	-	-	**432 000**	-	-	-	-	-	-	**432 000**
Specialised vehicles														
Other assets														
Fire Fighting equipment/ fire houses	184 497	-	-	-	-	-	184 497	(97 936)	(19 601)	-	-	-	(117 537)	66 960
Emergency / rescue equipment	3 638 735	-	(4 552)	-	-	-	3 634 183	(1 945 045)	(554 288)	2 588	-	-	(2 496 745)	1 137 438
Training equipment	850	-	-	-	-	-	850	(202)	(153)	-	-	-	(355)	495
Trucks, buses and LDVs	15 430 893	-	-	-	-	-	15 430 893	(1 119 369)	(532 857)	-	-	-	(1 652 226)	13 778 667
Passenger vehicles	6 224 156	888 491	(176 808)	-	-	-	6 935 839	(1 094 725)	(464 147)	55 172	-	-	(1 503 700)	5 432 139
Emergency Vehicles	10 291 410	-	-	-	-	-	10 291 410	(1 158 480)	(655 494)	-	-	-	(1 813 974)	8 477 436
Trailers and accessories	558 800	-	-	-	-	-	558 800	(113 796)	(22 357)	-	-	-	(136 153)	422 647
Tractors	7 115 540	-	-	-	-	-	7 115 540	(786 426)	(227 697)	-	-	-	(1 014 123)	6 101 417
Specialised Vehicles	1 677 000	-	-	-	-	-	1 677 000	(67 035)	(53 664)	-	-	-	(120 699)	1 556 301
Tables & desks	1 483 483	-	-	-	-	-	1 483 483	(565 584)	(170 021)	-	-	-	(735 605)	747 878
Chairs and Couches	1 452 773	(4 979)	-	-	-	-	1 447 794	(603 837)	(162 162)	2 581	-	-	(763 418)	684 376
Shelving and Bookcases	182 458	59 360	-	-	-	-	241 818	(71 588)	(30 932)	-	-	-	(102 520)	139 298
Cabinets & Cupboards	799 247	-	-	-	-	-	799 247	(312 416)	(88 996)	-	-	-	(401 412)	397 835
Beds	181 876	-	-	-	-	-	181 876	(110 344)	(24 628)	-	-	-	(134 972)	46 904
Other furniture and fittings	152 259	49 000	-	-	-	-	201 259	(75 722)	(16 977)	-	-	-	(92 699)	108 560
Plant and Equipment - Other	948 876	14 380	(1 590)	-	-	-	961 666	(443 280)	(108 196)	165	-	-	(551 311)	410 355
Workshop equipment and tools	608 727	-	-	-	-	-	608 727	(256 495)	(68 629)	-	-	-	(325 124)	283 603
Generators	1 800 203	39 999	-	-	-	-	1 840 202	(801 362)	(169 399)	-	-	-	(970 761)	869 441
Radio Equipment	82 020	-	-	-	-	-	82 020	(31 266)	(11 345)	-	-	-	(42 611)	39 409
Compressors	126 557	-	-	-	-	-	126 557	(50 831)	(13 430)	-	-	-	(64 261)	62 296
Earth moving equipment	540 000	-	-	-	-	-	540 000	(67 108)	(48 600)	-	-	-	(115 708)	424 292
Sports equipment	1 500	-	-	-	-	-	1 500	(818)	(164)	-	-	-	(982)	518
Lawnmowers / gardening equipments	14 064	5 351	(500)	-	-	-	18 915	(7 156)	(1 848)	307	-	-	(8 697)	10 218
Lab equipments	42 903	-	-	-	-	-	42 903	(23 946)	(4 787)	-	-	-	(28 733)	14 170
Office machines	526 919	6 599	(77 716)	-	-	-	455 802	(273 912)	(73 054)	46 163	-	-	(300 803)	154 999
Domestic Equipment	166 291	-	-	-	-	-	166 291	(83 632)	(19 816)	-	-	-	(103 448)	62 843
Computer hardware	2 459 707	186 330	(71 121)	-	-	-	2 574 916	(1 115 349)	(445 526)	42 855	-	-	(1 518 020)	1 056 896
Office equipment - Other	102 094	-	(1 820)	-	-	-	100 274	(53 504)	(11 996)	1 025	-	-	(64 475)	35 799
Audiovisual equipment	522 409	-	(5 400)	-	-	-	517 009	(270 721)	(59 732)	3 643	-	-	(326 810)	190 199
Air Conditioners	767 041	14 700	(6 800)	-	-	-	774 941	(436 331)	(94 251)	4 266	-	-	(526 316)	248 625
Sport and recreational equipment	415	-	-	-	-	-	415	(251)	(62)	-	-	-	(313)	102
	58 083 703	**1 259 231**	**(346 307)**	-	-	-	**58 996 627**	**(12 038 467)**	**(4 154 809)**	**158 765**	-	-	**(16 034 511)**	**42 962 116**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	175 292 131	-	-	-	-	65 692 144	240 984 275	(50 576 294)	(6 974 782)	-	-	-	(57 551 076)	183 433 199
Infrastructure	6 896 035 024	160 454 793	-	-	-	271 383 186	7 327 873 003	(2 789 303 530)	(153 245 576)	-	-	-	(2 942 549 106)	4 385 323 897
Heritage assets	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
Other assets	58 083 703	1 259 231	(346 307)	-	-	-	58 996 627	(12 038 467)	(4 154 809)	158 765	-	-	(16 034 511)	42 962 116
	7 129 842 858	**161 714 024**	(346 307)	-	-	337 075 330	7 628 285 905	(2 851 918 291)	(164 375 167)	158 765	-	-	(3 016 134 693)	4 612 151 212
Leased Assets														
Leased Assets	5 061 588	3 420	-	-	-	-	5 065 008	(2 849 877)	(1 245 352)	-	-	-	(4 095 229)	969 779
	5 061 588	**3 420**	-	-	-	-	5 065 008	(2 849 877)	(1 245 352)	-	-	-	(4 095 229)	969 779
Intangible assets														
Computers - software & programming	1 097 760	-	-	-	-	-	1 097 760	(260 056)	(205 413)	-	-	-	(465 469)	632 291
Servitude	13 991 354	-	-	-	-	-	13 991 354	(4 316 237)	(699 568)	-	-	-	(5 015 805)	8 975 549
	15 089 114	-	-	-	-	-	15 089 114	(4 576 293)	(904 981)	-	-	-	(5 481 274)	9 607 840
Investment properties														
Total														
Land and buildings	175 292 131	-	-	-	-	65 692 144	240 984 275	(50 576 294)	(6 974 782)	-	-	-	(57 551 076)	183 433 199
Infrastructure	6 896 035 024	160 454 793	-	-	-	271 383 186	7 327 873 003	(2 789 303 530)	(153 245 576)	-	-	-	(2 942 549 106)	4 385 323 897
Heritage assets	432 000	-	-	-	-	-	432 000	-	-	-	-	-	-	432 000
Other assets	58 083 703	1 259 231	(346 307)	-	-	-	58 996 627	(12 038 467)	(4 154 809)	158 765	-	-	(16 034 511)	42 962 116
Leased Assets	5 061 588	3 420	-	-	-	-	5 065 008	(2 849 877)	(1 245 352)	-	-	-	(4 095 229)	969 779
Intangible assets	15 089 114	-	-	-	-	-	15 089 114	(4 576 293)	(904 981)	-	-	-	(5 481 274)	9 607 840
	7 149 993 560	**161 717 444**	(346 307)	-	-	337 075 330	7 648 440 027	(2 859 344 461)	(166 525 500)	158 765	-	-	(3 025 711 196)	4 622 728 831

Appendix C

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

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Rand	Depreciation Rand	Disposals Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Administration	333 747	75 140	-	(4 200)	-	-	**404 687**	(190 783)	(47 761)	-	-	-	(238 544)	169 035
Budget & Treasury Office	35 675 900	1 317 419	-	(5 094 906)	-	-	**31 898 413**	(12 746 430)	(4 622 380)	-	-	5 052 065	(12 316 745)	19 581 667
Communication and Marketing	185 652	-	-	-	-	-	**185 652**	(102 933)	(15 518)	-	-	-	(118 451)	67 201
Community Services	198 398	105 358	-	-	-	-	**303 756**	(99 527)	(39 281)	-	-	-	(138 808)	164 948
Corporate Services	651 870	104 667	-	(15 719)	-	-	**740 818**	(298 283)	(78 722)	-	-	12 404	(364 601)	376 217
Disaster Management	5 387 752	86 640	-	(5 829)	-	-	**5 468 563**	(1 546 685)	(422 373)	-	-	4 484	(1 964 574)	3 503 989
Engineering Services	52 618 001	-	-	-	-	-	**52 618 001**	(15 955 804)	(2 486 155)	-	-	-	(18 441 959)	34 176 042
Fire Services	51 687 472	153 445	-	(57 225)	-	-	**51 783 692**	(15 020 393)	(3 295 439)	-	-	47 068	(18 268 764)	33 514 928
General Council	716 019	-	-	(5 600)	-	-	**710 419**	(99 817)	(31 641)	-	-	3 237	(128 221)	582 198
Human Resources Management	231 579	28 501	-	(12 175)	-	-	**247 905**	(108 723)	(33 270)	-	-	8 884	(133 109)	114 796
Internal Audit	509 808	52 536	-	-	-	-	**562 344**	(254 576)	(52 538)	-	-	52 538	(254 576)	255 229
Legal	38 746	-	-	-	-	-	**38 746**	(26 623)	(2 951)	-	-	-	(29 574)	9 172
Local Economic Development	110 036	-	-	(7 199)	-	-	**102 837**	(40 468)	(15 838)	-	-	6 623	(49 683)	53 154
Municipal Manager	351 705	-	-	(7 548)	-	-	**344 157**	(205 318)	(38 841)	-	-	3 767	(240 392)	103 765
Office of the Executive Mayor	466 081	-	-	(3 100)	-	-	**462 981**	(276 069)	(49 838)	-	-	2 367	(323 540)	139 441
Office of the Speaker	196 043	7 740	-	(34 243)	-	-	**169 540**	(112 407)	(24 481)	-	-	27 188	(109 700)	59 840
Planning and Development	15 197 835	27 500	-	(9 900)	-	-	**15 215 435**	(780 994)	(215 823)	-	-	6 968	(989 849)	14 225 586
Roads, Transport and Electricity	299 501	-	-	-	-	-	**299 501**	(97 512)	(13 670)	-	-	-	(111 182)	188 318
Water Services	7 146 509 762	71 089 794	519 958 615	-	-	-	**7 737 558 171**	(2 977 747 896)	(165 382 818)	-	-	8 979	**(3 143 121 735)**	4 594 423 885
	7 311 365 907	**73 048 740**	**519 958 615**	**(5 257 644)**	-	-	**7 899 115 618**	**(3 025 711 241)**	**(176 869 338)**	-	-	**5 236 572**	**(3 197 344 007)**	**4 701 709 411**
Municipal Owned Entities														
Total														
Municipality	7 311 365 907	73 048 740	519 958 615	(5 257 644)	-	-	**7 899 115 618**	(3 025 711 241)	(176 869 338)	-	-	5 236 572	**(3 197 344 007)**	**4 701 709 411**
	7 311 365 907	**73 048 740**	**519 958 615**	**(5 257 644)**	-	-	**7 899 115 618**	**(3 025 711 241)**	**(176 869 338)**	-	-	**5 236 572**	**(3 197 344 007)**	**4 701 709 411**