Mafube Local Municipality
Financial statements
for the year ended June 30, 2016

General Information

Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.
Municipal Council	
Mayor	Sigasa JE*
Councillors	Du Plessis MC*
	Hadebe M
	Hlongwane JJ
	Jafta UC
	Kubheka LS
	Mofokeng MM
	Moloi T (Speaker)
	Monaune PM
	Motloung FP
	Motloung P
	Motloung WC
	Mosia AM*
	Mosia (shweshwe)!!!
	Pretorius JJ
	Sekhoto MM
	Rakoloti N
Grading of local authority	Medium capacity, category B municipality as defined by the Municipal Structures Act, 1998 (Act No 117 of 1998)
Chief Finance Officer (CFO)	AN Hlubi
Accounting Officer	PI Radebe
Business address	64 JJ Hadebe Street
	Frankfort
	Free State
	9830
Postal address	PO Box 2
	Frankfort
	Free State
	9830
Bankers	ABSA Bank Limited
Auditors	Auditor-General
Attorneys	Richter and Boshoff Attorneys
	Peyper Attorneys
Enabling Legislation	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
	Municipal Structures Act, 1998 (Act No. 17 of 1998)
	Municipal Systems Act, 2000 (Act No. 32 of 2000)
	Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996)
Website	www.mafubemunicipality.gov.za

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis. These financial statements were not tabled for review by the Audit Committee.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framwork envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996), read with the Remuneration of Pubic Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..

PI Radebe
Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

2. Going concern

The municipality is experiencing financial difficulties, the following indicators are as follows:

(a) Suppliers were not paid within the legislative period of 30 days, as required by section 64 of the MFMA;
(b) The municipality defaulted on the repayment of the DBSA non-current borrowings which has led to the restructuring of the borrowings
(c) Conditional grants have not been spent within the required period and have thus, been used for operating purposes;
(d) Although the VAT returns have been submitted on time for the financial year, payments were not made within the required period after submission.
(e)PAYE, UIF and SDL were not submitted and paid over on time to SARS.
(f) Statutory deductions made from the employee's salaries have not been paid over to third parties on time;
(g) Employee benefit abligations are unfunded.
(h) Revenue collection rate has at no point of the financial year exceeded or reached 90% of the total monthly billing.

The municipality is currently exploring alternative means to improve its financial position.
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 source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

5. Accounting Officer

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

Name	Nationality
PI Radebe	South African

6. Auditors

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

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	9	395,369	450,155
Other financial assets	7	73,043	40,555
Receivables from exchange transactions	10	5,666,156	5,073,582
Receivables from non-exchange transactions	11	17,047,338	6,209,628
Consumer receivables from exchange transactions	12	120,617,069	63,954,782
Cash and cash equivalents	14	635,345	619,928
		144,434,320	**76,348,630**
Non-Current Assets			
Investment property	3	72,906,699	73,290,026
Property, plant and equipment	4	673,610,889	702,109,371
Intangible assets	5	697,340	1,062,836
Heritage assets	6	35,758	35,758
Other financial assets	7	347,631	328,695
		747,598,317	**776,826,686**
Total Assets		**892,032,637**	**853,175,316**
Liabilities			
Current Liabilities			
Other financial liabilities	19	263,581	263,581
Finance lease obligation	17	-	545,955
Payables from exchange transactions	21	352,870,500	274,867,634
VAT payable	22	2,093,685	9,317,657
Consumer deposits	23	846,036	819,109
Unspent conditional grants and receipts	18	20,390,797	9,400,165
		376,464,599	**295,214,101**
Non-Current Liabilities			
Other financial liabilities	19	787,568	1,316,665
Finance lease obligation	17	(22,866)	-
Employee benefit obligation	8	14,052,439	14,457,948
Provisions	20	10,079,802	9,759,739
		24,896,943	**25,534,352**
Total Liabilities		**401,361,542**	**320,748,453**
Net Assets		**490,671,095**	**532,426,863**
Accumulated surplus		482,346,467	532,426,863

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	27	65,138,739	61,461,665
Royalty income		1,828,305	779,299
Rental of facilities and equipment	40	136,418	435,122
Administration and management fees received		395,519	708,183
Recoveries		331,302	635,273
Other income	30	478,255	659,751
Interest received - investment	35	26,053,407	19,675,097
Total revenue from exchange transactions		**94,361,945**	**84,354,390**
Revenue from non-exchange transactions			
Taxation revenue			
Fines		75,970	119,791
Property rates	26	22,693,193	21,152,561
Transfer revenue			
Government grants & subsidies	28	99,584,584	102,213,468
Total revenue from non-exchange transactions		**122,353,747**	**123,485,820**
Total revenue	25	**216,715,692**	**207,840,210**
Expenditure			
Employee related costs	32	(77,102,233)	(73,311,313)
Remuneration of councillors	33	(5,613,522)	(4,946,053)
Depreciation and amortisation	37	(38,259,177)	(37,286,363)
Finance costs	38	(21,271,001)	(12,101,882)
Lease rentals on operating lease		(901,991)	(904,322)
Debt Impairment	34	(6,569,356)	(44,882,190)
Repairs and maintenance		(24,254,521)	(32,876,183)
Bulk purchases	42	(45,946,294)	(23,768,637)
Transfers and Subsidies	41	(9,595,124)	(3,547,907)
General Expenses	31	(38,377,854)	(30,568,142)
Total expenditure		**(267,891,073)**	**(264,192,992)**
Operating deficit		**(51,175,381)**	**(56,352,782)**
Fair value adjustments	36	1,115,030	1,401,000
Gain on disposal of assets		(20,045)	(9,208)
		1,094,985	**1,391,792**
Deficit for the year		**(50,080,396)**	**(54,960,990)**

Mafube Local Municipality

Financial Statements for the year ended June 30, 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2014	**587,387,853**	**587,387,853**
Changes in net assets		
Surplus for the year/(Deficit)	(54,960,990)	(54,960,990)
Total changes	(54,960,990)	(54,960,990)
Balance at July 1, 2015	**532,426,863**	**532,426,863**
Changes in net assets		
Surplus for the year/(Deficit)	(50,080,396)	(50,080,396)
Total changes	(50,080,396)	(50,080,396)
Balance at June 30, 2016	**482,346,467**	**482,346,467**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Property Rates and service charges		22,693,193	21,152,561
Sale of Goods and Services		65,138,739	6,549,242
Grants		99,584,584	90,002,468
Interest income		26,053,407	19,675,097
Other receipts		3,169,799	14,557,142
		216,639,722	151,936,510
Payments			
Employee costs		(77,102,233)	(41,626,139)
Suppliers		(76,770,171)	(177,240,726)
Finance costs		(19,479,001)	(10,159,131)
Other cash item		(40,739,299)	105,526,462
		(214,090,704)	(123,499,534)
Net cash flows from operating activities	43	**2,549,018**	**28,436,976**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	-	(23,284,331)
Proceeds from sale of property, plant and equipment	4	20,044	-
Proceeds from sale of other intangible assets	5	1	-
Purchases of heritage assets	6	(35,758)	(35,758)
Proceeds from sale of financial assets		(51,424)	(14,130)
Proceeds from sale of other assets		(20,045)	(9,208)
Net cash flows from investing activities		**(87,182)**	**(23,343,427)**
Cash flows from financing activities			
Repayment of other financial liabilities		(529,097)	(507,024)
Finance lease payments		(2,360,821)	(2,638,128)
Net cash flows from financing activities		**(2,889,918)**	**(3,145,152)**
Net increase/(decrease) in cash and cash equivalents		**(428,082)**	**1,948,397**
Cash and cash equivalents at the beginning of the year		619,928	64,367
Cash and cash equivalents at the end of the year	14	**191,846**	**2,012,764**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	-	52,126,990	**52,126,990**	65,138,739	**13,011,749**	
Royalty income	-	3,153,111	**3,153,111**	1,828,305	**(1,324,806)**	
Rental of facilities and equipment	-	154,292	**154,292**	136,418	**(17,874)**	
Administration and management fees received	-	1,031,326	**1,031,326**	395,519	**(635,807)**	
Recoveries	-	-	**-**	331,302	**331,302**	
Other income - (rollup)	-	1,259,761	**1,259,761**	478,255	**(781,506)**	
Interest received - investment	-	24,975,944	**24,975,944**	26,053,407	**1,077,463**	
Total revenue from exchange transactions	**-**	**82,701,424**	**82,701,424**	**94,361,945**	**11,660,521**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	-	3,370,800	**3,370,800**	75,970	**(3,294,830)**	
Property rates	-	24,230,791	**24,230,791**	22,693,193	**(1,537,598)**	
Transfer revenue						
Government grants & subsidies	-	107,203,000	**107,203,000**	99,584,584	**(7,618,416)**	
Total revenue from non-exchange transactions	**-**	**134,804,591**	**134,804,591**	**122,353,747**	**(12,450,844)**	
Total revenue	**-**	**217,506,015**	**217,506,015**	**216,715,692**	**(790,323)**	
Expenditure						
Personnel	-	(91,294,152)	**(91,294,152)**	(77,102,233)	**14,191,919**	
Remuneration of councillors	-	(5,198,872)	**(5,198,872)**	(5,613,522)	**(414,650)**	
Depreciation and amortisation	-	(1,500,000)	**(1,500,000)**	(38,259,177)	**(36,759,177)**	
Finance costs	-	(3,198,072)	**(3,198,072)**	(21,271,001)	**(18,072,929)**	
Lease rentals on operating lease	-	(1,029,350)	**(1,029,350)**	(901,991)	**127,359**	
Bad debts written off	-	(1,900,000)	**(1,900,000)**	(6,569,356)	**(4,669,356)**	
Repairs and maintenance	-	(15,380,529)	**(15,380,529)**	(24,254,521)	**(8,873,992)**	
Bulk purchases	-	(6,000,000)	**(6,000,000)**	(45,946,294)	**(39,946,294)**	
Transfers and Subsidies	-	(10,000,000)	**(10,000,000)**	(9,595,124)	**404,876**	
General Expenses	-	(190,653,561)	**(190,653,561)**	(38,377,854)	**152,275,707**	
Total expenditure	**-**	**(326,154,536)**	**(326,154,536)**	**(267,891,073)**	**58,263,463**	
Operating deficit	**-**	**(108,648,521)**	**(108,648,521)**	**(51,175,381)**	**57,473,140**	
Fair value adjustments	-	-	**-**	1,115,030	**1,115,030**	
Loss on biological assets and agricultural produce	-	-	**-**	(20,045)	**(20,045)**	
	-	**-**	**-**	**1,094,985**	**1,094,985**	
Deficit before taxation	**-**	**(108,648,521)**	**(108,648,521)**	**(50,080,396)**	**58,568,125**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(108,648,521)**	**(108,648,521)**	**(50,080,396)**	**58,568,125**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	-	24,230,791	24,230,791	-		24,230,791	22,693,193		(1,537,598)	94 %	DIV/0 %
Service charges	-	52,126,990	52,126,990	-		52,126,990	65,138,739		13,011,749	125 %	DIV/0 %
Investment revenue	-	24,975,944	24,975,944	-		24,975,944	26,053,407		1,077,463	104 %	DIV/0 %
Transfers recognised - operational	-	85,392,000	85,392,000	-		85,392,000	96,317,704		10,925,704	113 %	DIV/0 %
Other own revenue	-	8,969,290	8,969,290	-		8,969,290	4,360,799		(4,608,491)	49 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	**-**	**195,695,015**	**195,695,015**	**-**		**195,695,015**	**214,563,842**		**18,868,827**	**110 %**	**DIV/0 %**
Employee costs	-	(91,294,152)	(91,294,152)	-	-	(91,294,152)	(77,102,233)	-	14,191,919	84 %	DIV/0 %
Remuneration of councillors	-	(5,198,872)	(5,198,872)	-	-	(5,198,872)	(5,613,522)	-	(414,650)	108 %	DIV/0 %
Debt impairment	-	(1,900,000)	(1,900,000)			(1,900,000)	(6,569,356)	-	(4,669,356)	346 %	DIV/0 %
Depreciation and asset impairment	-	(1,500,000)	(1,500,000)			(1,500,000)	(38,259,177)	-	(36,759,177)	2,551 %	DIV/0 %
Finance charges	-	(3,198,072)	(3,198,072)	-	-	(3,198,072)	(21,271,001)	-	(18,072,929)	665 %	DIV/0 %
Materials and bulk purchases	-	(6,000,000)	(6,000,000)	-	-	(6,000,000)	(45,946,294)	-	(39,946,294)	766 %	DIV/0 %
Transfers and grants	-	(10,000,000)	(10,000,000)	-	-	(10,000,000)	(9,595,124)	-	404,876	96 %	DIV/0 %
Other expenditure	-	(71,562,465)	(71,562,465)	-	-	(71,562,465)	(63,554,411)	-	8,008,054	89 %	DIV/0 %
Total expenditure	**-**	**(190,653,561)**	**(190,653,561)**	**-**	**-**	**(190,653,561)**	**(267,911,118)**	**-**	**(77,257,557)**	**141 %**	**DIV/0 %**
Surplus/(Deficit)	**-**	**5,041,454**	**5,041,454**	**-**		**5,041,454**	**(53,347,276)**		**(58,388,730)**	**(1,058)%**	**DIV/0 %**

Mafube Local Municipality

Financial Statements for the year ended June 30, 2016

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	21,811,000	21,811,000	-		21,811,000	3,266,880		(18,544,120)	15 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**-**	**26,852,454**	**26,852,454**	**-**		**26,852,454**	**(50,080,396)**		**(76,932,850)**	**(187)%**	**DIV/0 %**
Surplus/(Deficit) for the year	**-**	**26,852,454**	**26,852,454**	**-**		**26,852,454**	**(50,080,396)**		**(76,932,850)**	**(187)%**	**DIV/0 %**

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	(359,367,072)		(359,367,072)	DIV/0 %	DIV/0 %

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				21,152,561
Service charges				61,461,665
Investment revenue				19,675,097
Transfers recognised - operational				90,330,425
Other own revenue				4,738,419
Total revenue (excluding capital transfers and contributions)				**197,358,167**
Employee costs	-	-	-	(73,311,313)
Remuneration of councillors	-	-	-	(4,946,053)
Debt impairment	-	-	-	(44,882,190)
Depreciation and asset impairment	-	-	-	(37,286,363)
Finance charges	-	-	-	(12,101,882)
Materials and bulk purchases	-	-	-	(23,768,637)
Transfers and grants	-	-	-	(3,547,907)
Other expenditure	-	-	-	(64,357,855)
Total expenditure	**-**	**-**	**-**	**(264,202,200)**
Surplus/(Deficit)				**(66,844,033)**
Transfers recognised - capital				11,883,043
Surplus (Deficit) after capital transfers and contributions				**(54,960,990)**
Surplus/(Deficit) for the year				**(54,960,990)**
Capital expenditure and funds sources				
Total capital expenditure				(666,446,468)

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.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

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.

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires managment to exercise its judgement in the process of applying the municipalit's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although thse estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements include:

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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

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.

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 20 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Acquisition dates of Property, Plant and Equipment

The assumptions used to determine the acquisition dates for items of Property, Plant and Equipment that have been recognised for the first time as part of the reconstruction of the immovable asset register is as follows (in order of application):

- Dates from existing asset register;
- Keystone or inscription on the asset;
- Dates from Delphi Group workshops;
- Asset material or technology (i.e. PVC pipes were not implemented before a particular date);
- Dates of township proclamation;
- Information from residents.

Other

1.4 Investment property

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

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

Investment propety excludes owner-occupied propetythat is used in theprouction or suply of goods and services or for administrative purposes, or propertyheld to provide social services.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.4 Investment property (continued)

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	50 Years

Disposal

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 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 reporting period.

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

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.

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

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.

Subsequent cost

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

Costs include costs incurred initially to acquire or construct an item of propety, plant and equipment and costs incurred subsequently to add to or replace part of . 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.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Item	**Average useful life**
Motor vehicles	
• Vehicles, tractors and trailors	5-7 years
Infrastructure	
• Electricity Network	10-80 years
• Water Network	10-80 years
• Roads and Bridges	7-50years
• Sanitation	7-80 years
• Solid Waste - Landfills	15-75 years
Community	
• Cemeteries	15-18 years
• LivesLivestock Facilities*	7-80 years
• Municipal Builings	7-80 years
• Parks and Gardens	7-80 years
• Sport facilities	7-80 years
• Housing*	7-80 years
Other property, plant and equipment	
• Computer equipment	3-10 years
• Office equipment	3-5 years
• Furniture and Fixtures	3-10 years
• Other	3-10 years
Other Leased assets	3-5 years
Landfill rehabilitation asset	30-72 years

*The useful lives of Livestock facilities and Housing were updated with the review and submission of the revised infrastructure register. No disclosures relating to the change in the estimated useful lives has been made as not depreciation were provided in the prior year on infrastructure assets. All changes were accounted for under note 45. - Prior year errors.

The residual value, the useful life and depreciation method of each asset are reviewed at least at 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.

Deprecitation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

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 or disposal of the asset.

1.5 Property, plant and equipment (continued)

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.

Subsequent Measurement:
Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.7 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.

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

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the cost are clearly associated with an identifieable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement
Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment loss.

The amortisation period and the amourtisation 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.

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

Item	Useful life
Computer software, other	5 years

1.7 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

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

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

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.

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

A financial asset is:

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

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

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

Accounting Policies

1.8 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
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

Class	Category

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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 entity 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.

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.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - 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 entity 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity 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 entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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.

1.8 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 entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

1.9 Tax

Value Added Tax

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

1.10 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 interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

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

1.11 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.

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.

1.12 Impairment of cash-generating assets

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

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

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.

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.

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.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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.

1.12 Impairment of cash-generating assets (continued)

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).

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.

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.

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

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

Identification

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

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

The municipality consider the following indicators, in assessing whether there is any idication that an asset may be impaired:

External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset
- Significant long-term chages with an adverse effet have taken place during theperiod in the technological, legal or government policy environment in which it operates.

Internal sources of information
- Evidence is available of physical damage of an asset
- Significant long-term changes with an adverse effect during the period in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previouly expeted date
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected

Value in use

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occure.

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 presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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.

1.15 Provisions and contingencies (continued)

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.

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.

Contingent assets and contingent liabilities are not recognised, except in entity combinations.
Contingencies are disclosed in note...

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.

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:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- 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 periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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.

1.16 Revenue from exchange transactions (continued)

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Use by others of the entity's assets

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exhange transactions. In a non-exchange transaction, a 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.

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.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

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

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

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

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

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

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

1.18 Investment income

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

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Offsetting

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

1.21 Comparative figures

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

The comparative figures ahve been restated, additional disclosures are included in note 44.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Accounting Policies

1.23 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.

1.24 Irregular expenditure

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

1.25 Subsequent events

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

1.26 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 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 financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The approved budget covers the period from 1 July 2015 to 30 June 2016.

1.27 Related parties

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

Key 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.

Accounting Policies

1.28 Public private partnership

The municipality has the following PPP's

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance andexpansion of the municipal ntwork, inclusive of the revenue managment process, as well as the implemntation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/ initial assets ("network assets") and will also install new assets ("investment assets"). Rural will be allowed to commission the electricity generation plant for own generattion and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the netowork and shallensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the Investment assets will trnasfer the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Ruralshall payto theMunicipality a monthly royalty forthe use ofthe Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be intitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statemets will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shallbear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respet of all demonstrable losses and damages including but not limited to, loss of future income as well as market-reated compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years' notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guidelin when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;

The municipality controls through ownership, beneficial entitlement or otherwise, any significnat residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

The underlyingassets in the arragement are recognised by the municipality;
Any unitary payments made are split between the asset and service element;
The municipality recognises a liability with respect to its obligation tothe private entity (in the form of a financial liability where the private partywill receive a consideration from the municipality).

1.29 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actually liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note

Notes to the Financial Statements

2. New standards and interpretations

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	83,212,922	(10,306,223)	72,906,699	83,212,921	(9,922,895)	73,290,026

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	73,290,026	(383,327)	72,906,699

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	73,672,350	(382,324)	73,290,026

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.

Reasons for Using the Cost Model:

Mafube Local Municipality adopted a cost model approach in recognising Investment Property in the 2016 financial year, this is in line with the previous financial year and the Municipality had no change in accounting policy with regards to the measurement of Investment Property.

Entities in the public sector often own a significant number of properties. While the properties are most often used to deliver goods or services in accordance with each entity's respective mandated functions, some entities use them to provide additional sources of revenue, e.g. through rental, or through the value that could be realised if the properties are sold. The majority of Investment Properties held relates to vacant land as well as farm portions, these properties do not impact the strategy or operational decision making of the entity and fair values are therefore not required at each reporting date. The fair value model also leads to higher consulting cost each year as the fair values need to be reassessed at each reporting date.

The cost model of accounting is therefore used in accounting for Investment Properties

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,985,986	-	2,985,986	2,985,986	-	2,985,986
Buildings- Admin	6,182,109	(2,693,791)	3,488,318	6,182,109	(2,616,510)	3,565,599
Buildings- Community	5,394,581	(2,967,024)	2,427,557	5,394,581	(2,899,587)	2,494,994
Plant and machinery	2,365,153	(958,013)	1,407,140	2,012,013	(507,480)	1,504,533
Furniture and fixtures	2,459,453	(1,119,174)	1,340,279	2,363,025	(716,984)	1,646,041
Motor vehicles	15,382,025	(7,287,565)	8,094,460	15,898,691	(5,300,125)	10,598,566
Office equipment	2,472,162	(1,083,260)	1,388,902	1,712,630	(577,643)	1,134,987
Infrastructure	1,106,460,649	(551,267,175)	555,193,474	1,103,279,901	(522,411,164)	580,868,737
Community	124,187,403	(69,296,724)	54,890,679	124,187,402	(65,311,386)	58,876,016
Landfill Rehabilitation Asset	9,982,139	(4,444,165)	5,537,974	9,760,126	(3,780,701)	5,979,425
Leased Asset	-	-	-	-	247,010	247,010
Work in Progress	36,856,120	-	36,856,120	32,207,477	-	32,207,477
Total	**1,314,727,780**	**(641,116,891)**	**673,610,889**	**1,305,983,941**	**(603,874,570)**	**702,109,371**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	2,985,986	-	-	-	-	-	2,985,98
Buildings	3,565,806	-	-	-	-	(77,488)	3,488,31
Buildings-Community	2,495,174	-	-	-	-	(67,617)	2,427,55
Plant and machinery	1,504,533	358,140	(4,280)	-	-	(451,253)	1,407,14
Furniture and fixtures	1,646,040	96,428	-	-	-	(402,189)	1,340,27
Motor vehicles	10,598,567	-	-	-	-	(2,504,107)	8,094,46
Office equipment	1,134,987	525,556	(15,764)	169,551	-	(425,428)	1,388,90
Infrastructure	580,868,738	-	-	3,180,748	-	(28,856,012)	555,193,47
Community	58,876,017	-	-	-	-	(3,985,338)	54,890,67
Landfill Rehabilitation Asset	5,979,036	222,400	-	-	-	(663,462)	5,537,97
Leased Asset	247,010	-	-	-	(169,551)	(77,459)	
Work in Progress	32,207,477	7,829,391	-	-	(3,180,748)	-	36,856,12
	702,109,371	**9,031,915**	**(20,044)**	**3,350,299**	**(3,350,299)**	**(37,510,353)**	**673,610,88**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	2,985,986	-	-	-	-	2,985,986
Buildings	3,643,087	-	-	-	(77,281)	3,565,806
Buildings-Community	2,562,611	-	-	-	(67,437)	2,495,174
Plant and machinery	1,784,525	-	-	-	(279,992)	1,504,533
Furniture and fixtures	1,775,061	211,681	-	-	(340,702)	1,646,040
Motor vehicles	12,596,259	355,796	-	-	(2,353,489)	10,598,566
Office equipment	1,338,480	69,270	-	-	(272,763)	1,134,987
Infrastructure	598,724,135	-	10,642,808	-	(28,498,206)	580,868,737
Community	62,850,466	-	-	-	(3,974,449)	58,876,017
Landfill rehabilitation asset	5,868,901	789,220	-	-	(679,083)	5,979,038
Leased assets	254,326	-	-	-	(7,316)	247,010
Work in progress	30,193,598	12,656,687	-	(10,642,808)	-	32,207,477
	724,577,435	**14,082,654**	**10,642,808**	**(10,642,808)**	**(36,550,718)**	**702,109,371**

4. Property, plant and equipment (continued)

Pledged as security

No propety, plant andequipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note 16.

Heritage assets

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the financial statements.]

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,766,607	(1,069,267)	697,340	1,866,607	(803,771)	1,062,836

Reconciliation of intangible assets - 2016

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1,062,836	(1)	(365,495)	697,340

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	1,416,157	(353,321)	1,062,836

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Art Collections, antiquities and exhibits	35,758	-	35,758	35,758	-	35,758

7. Other financial assets

At amortised cost

Notes to the Financial Statements

Figures in Rand	2016	2015
7. Other financial assets (continued)		
VKB Agriculture Limited - Short term member loan	51,006	20,739
VKB Agriculture Limited - Short term member Loan The member loan bears interest at 4.5% per annum (2012:5%) and is available on demand		
VKB Agriculture Limited - Security member loan When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan bears interest at 4.5% (2012: 5%) per annum and is payable on demand after settling any outstanding balance on the trading account.	17,037	14,816
VKB Agriculture Limited - Member Funds The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then tranferred to the securitymember loan.	268,296	249,360
VKB Agriculture Limited - Membership The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.	5,000	5,000
VKB Agriculture Limited - Reserves The reserves arises from special awards allocated to members. special awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.	79,335	79,335
	420,674	**369,250**

Non-current assets		
Loans and receivables	347,631	328,695
Current assets		
Loans and Receivables	73,043	40,555

8. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality has a post employment medical aid fund for its pensioners. The post-retirement medical aid benefits ae in accordance with Resolution 8 of the South African LocalGovernment Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirment, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, willcontinue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirment will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;

- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical sheme contributions as at the day immediately prior to the date of his or her retirement.

Long service benefits

The municipality's lability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five year's service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State devision of SALGBC which was signed on July 2010.

Notes to the Financial Statements

Figures in Rand	2016	2015

8. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(14,052,439)	(14,457,948)

These obligations are not a funded arrangement, i.e. no serparate assets have beenset aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	14,457,948	14,674,814
Benefits paid	(857,918)	(652,866)
Other	(223,760)	-
Net expense recognised in the statement of financial performance	676,970	436,000
	14,053,240	**14,457,948**

Net expense recognised in the statement of financial performance

Current service cost	634,000	623,000
Interest cost	1,158,000	1,214,000
Actuarial (gains) losses	(1,115,030)	(1,401,000)
	676,970	**436,000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1,115,030	(1,401,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.71 %	8.36 %
Medical cost trend rates	8.31 %	7.76 %
Expected increase in salaries	7.42 %	7.06 %

8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	924,000	758,000
Effect on defined benefit obligation	10,009,000	8,272,000

The municipality expects to pay benefits of :R845 000 towards post retirement medical aid and R947 000 towards long service benefits to its employee benefits in 2016.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	(14,053,240)	(14,457,948)	(14,674,814)	(11,474,814)	(10,947,945)

9. Inventories

Consumable stores	162,244	217,030
Water	233,125	233,125
	395,369	**450,155**

Expensed inventory

	1,530,154	152,005

Inventory pledged as security

No Inventory was pledged as security for any financial liability.

10. Receivables from exchange transactions

Councillor overpayment	2,636,335	2,700,802
Councillor overpayment receivable - Impairment	(863,037)	(863,037)
Other receivable*	3,920,858	3,263,817
Sundry receivables	20,000	20,000
Mayoral Functions	(48,000)	(48,000)
	5,666,156	**5,073,582**

Notes to the Financial Statements

Figures in Rand	2016	2015

10. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The carrying value of the receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables that are fully performing have been renegotiated in the last year.

The municipality does not hold any collateral as security

Reconciliation of provision for impairment of trade and other receivables

Opening balance	863,037	863,037

11. Receivables from non-exchange transactions

Rates - Impairment	(15,106,739)	(19,172,701)
Rates	32,154,077	25,382,329
	17,047,338	**6,209,628**

Receivables from non-exchange transactions impaired

As of June 30, 2016, other receivables from non-exchange transactions of R17 047 338-00 (2015: R6 209 628 -00) were impaired and provided for.

The amount of the provision was R 15 106 739.30- as of June 30, 2016 (2015: R15 091 223 -).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(19,172,701)	(17,936,161)
Provision for impairment	4,083,518	(1,236,540)
	(15,089,183)	**(19,172,701)**

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivable.

None of the receivables were pledged as security for any financial liability.

12. Consumer debtors

Gross balances		
Electricity	5,268,470	5,270,118
Water	132,388,801	99,412,536
Sewerage	97,997,386	78,825,831
Refuse	83,910,306	69,295,269
Sundry consumer services	3,250,027	3,695,933
	322,814,990	**256,499,687**

Notes to the Financial Statements

Figures in Rand	2016	2015

12. Consumer debtors (continued)

Less: Allowance for impairment		
Electricity	(2,328,730)	(3,980,816)
Water	(82,092,581)	(73,888,144)
Sewerage	(63,116,491)	(59,541,584)
Refuse	(53,663,818)	(52,342,615)
Sundry consumer services	(996,301)	(2,791,746)
	(202,197,921)	**(192,544,905)**

Net balance		
Electricity	2,939,740	1,289,302
Water	50,296,220	25,524,392
Sewerage	34,880,895	19,284,247
Refuse	30,246,488	16,952,654
Sundry consumer services	2,253,726	904,187
	120,617,069	**63,954,782**

Electricity		
Current (0 -30 days)	14,394	9,023
31 - 60 days	43,080	8,978
61 - 90 days	41,648	10,020
91+	5,169,347	1,261,281
	5,268,469	**1,289,302**

Water		
Current (0 -30 days)	6,958	880,698
31 - 60 days	3,424,811	723,452
61 - 90 days	3,723,102	785,348
91 - 120 days	116,730,022	21,541,293
Unmetered consumption	-	1,358,094
	123,884,893	**25,288,885**

Sewerage		
Current (0 -30 days)	309	498,820
31 - 60 days	1,822,499	485,510
61 - 90 days	1,782,765	468,148
91 - 120 days	94,391,812	17,831,769
	97,997,385	**19,284,247**

Refuse		
Current (0 -30 days)	299	380,097
31 - 60 days	1,382,898	370,860
61 - 90 days	1,359,007	360,617
91 - 120 days	81,168,102	15,841,080
	83,910,306	**16,952,654**

Sundry		
Current (0 -30 days)	-	29,508
31 - 60 days	46,884	3,442
61 - 90 days	45,813	3,347
91 - 120 days	3,157,330	867,890
	3,250,027	**904,187**

Notes to the Financial Statements

Figures in Rand	2016	2015

12. Consumer debtors (continued)

Summary of debtors by customer classification

	2016	2015
Consumers		
Current (0 -30 days)	4,780,180	7,064,925
31 - 60 days	4,286,791	6,162,010
61 - 90 days	4,258,425	6,249,383
91 - 120 days	175,554,285	245,874,416
	188,879,681	265,350,734
Less: Allowance for impairment	(207,659,354)	(202,405,265)
	(18,779,673)	**62,945,469**

	2016	2015
Industrial/ commercial		
Current (0 -30 days)	955,657	751,060
31 - 60 days	511,133	599,212
61 - 90 days	413,276	390,936
91 - 120 days	9,271,518	8,446,309
	11,151,584	10,187,517
Less: Allowance for impairment	(9,645,306)	(7,770,874)
	1,506,278	**2,416,643**

	2016	2015
National and provincial government		
Current (0 -30 days)	361,850	465,916
31 - 60 days	271,951	136,015
61 - 90 days	237,955	122,925
91 - 120 days	2,495,583	1,295,990
	3,367,339	2,020,846
Less: Allowance for impairment	-	(1,541,468)
	3,367,339	**479,378**

	2016	2015
Total		
Current (0 -30 days)	9,254,297	8,281,901
31 - 60 days	7,450,941	6,897,237
61 - 90 days	7,484,566	6,763,244
91 - 120 days	325,214,798	255,616,715
	349,404,602	277,559,097
Less: Allowance for impairment	(217,304,660)	(211,717,607)
	132,099,942	**65,841,490**

	2016	2015
Less: Allowance for impairment		
91 - 120 days	217,304,660	(211,717,607)

	2016	2015
Reconciliation of allowance for impairment		
Balance at beginning of the year	(211,717,607)	(152,561,826)
Contributions to allowance	(4,604,749)	(59,155,781)
	(216,322,356)	**(211,717,607)**

12. Consumer debtors (continued)

Credit quality of consumer debtors

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables were pledged as security for any finacial liability.:

Consumer debtors impaired

The amount of the provision was R 4 604 748.58-00 as of June 30, 2016 (2015: R59 155 781 -00).

13. Consumer debtors disclosure

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016	2015
Bank balances	87,055	591,083
Short-term deposits	548,290	28,845
	635,345	**619,928**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
ABSA - Primary Account - 405-282-3517	89,078	96,395	37,889	87,055	591,083	28,957
ABSA - Call Account - 909-011-1270	519,274	9,529	21,272	519,274	9,530	21,272
ABSA - Call Account - 922-961-8782	26,489	16,879	11,771	26,489	16,879	11,771
ABSA - Call Account - 923-238-7538	2,526	2,436	2,366	2,526	2,436	2,366
Total	**637,367**	**125,239**	**73,298**	**635,344**	**619,928**	**64,366**

15. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.

Notes to the Financial Statements

Figures in Rand	2016	2015

16. Acquisitions with a view to its subsequent disposal

17. Finance lease obligation

Minimum lease payments due		
- within one year	-	563,380
	-	563,380
less: future finance charges	-	(17,425)
Present value of minimum lease payments	**-**	**545,955**

Present value of minimum lease payments due		
- within one year	-	545,955

Non-current liabilities	(22,866)	-
Current liabilities	-	545,955
	(22,866)	**545,955**

The municipality lease photo copier machines under finance lease. The lease term is 3 years and the average effective borrowing rate was 9.5% (2015:9.5%). This lease expired/ terminated during the course of the 2016 financial year (15 January 2016) and thus no further payments were made to the bank regarding the assets which were leased. These assets are now fully owned by the municipality.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	17,710,077	8,516,957
Expanded Public Work Programme Integrated (EPWP)	816,800	491,058
Integrated National Electrificaiton Grant	644,613	235,798
Finance Management Grant	858,326	17,523
MSIG	(2)	-
Electricity Effeciency Grant (Demand)	360,983	138,829
	20,390,797	**9,400,165**

Movement during the year

Balance at the beginning of the year	9,400,165	21,611,165
Additions during the year	26,265,000	31,134,000
Income recognition during the year	(15,274,366)	(43,345,000)
	20,390,799	**9,400,165**

See note for reconciliation of grants from National/Provincial Government.

Figures in Rand	2016	2015

19. Other financial liabilities

At amortised cost		
DBSA - 61006963	1,051,149	1,580,246
The loan is from the Development Bank of Southern Africa (DBSA) and repayments are payable on a 3 monthly basis in equal installments. The redemption date is 31 December 2021 and the loan bears interest at a fixed rate of 5% on the loan and 7% on the arrears.		
When the municipality defaulted, the loan was rescheduled to the terms and contitions above, on 1 March 2012. The municipality has however; commenced with a repayment of R50 000 per month, of which the first payment commenced in March 2014. The arrears account has now been fully settled and the municipality is thus paying off the principle amount.		
Non-current liabilities		
At amortised cost	787,568	1,316,665
Current liabilities		
At amortised cost	263,581	263,581

20. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Rehabilitation of landfill sites	9,759,739	320,063	10,079,802

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Rehabiliatation of landfill sites	8,970,519	789,220	9,759,739

The provision for rehabiliation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for the restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The Municipality has four active landfill sites as per the infrastructure asset register:

- Frankfort Landfill; (Remaining useful life of 11 years)
- Mafahlaneng Landfill (A license for closure has been applied for for this landfill)
- Ntshwanatsatsi Landfill (Remaining useful life of 17 years)
- Villiers Landfill (Remaining useful life of 11 years)

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permitt issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No. 73 of 1989).
It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licenced as required by the Waste Act (Act No. 59 of 2008).

Notes to the Financial Statements

Figures in Rand	2016	2015

21. Payables from exchange transactions

Trade payables	42,655,367	58,637,215
Accrued leave pay	6,445,591	15,427,394
Accrued expense 1	44,824,449	41,308,055
13th Cheque accrual*	1,369,682	1,408,172
Other payables	3,110,831	2,103,926
Salary control accounts	37,614,900	18,111,611
Retention's on contract creditors	2,714,859	4,781,237
Income received in advance****	6,730,802	6,730,802
Advance payable**	3,000,000	3,400,000
Eskom	53,266,541	15,237,315
Department of Water Affairs (DWA)	107,921,391	77,535,433
Rural Maintenance***	37,203,960	24,909,461
Auditor-General	6,012,127	5,277,013
	352,870,500	**274,867,634**

The Municipality defaulted on the payment of suppliers within the legislative 30 days.

*Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birthup until year end.

** The Municipality received an advance from Rural Maintenance (Pty) Ltd on 30 June 2014 and November 2014.

***Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pump stations etc. owing to the service provider Rural Maintenance (Pty)Ltd.

**** The Municipality is receiving an inflow af resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.

22. VAT payable

Tax refunds payables	2,093,685	9,317,657

The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made. This balance includes VAT which was billed on debtors for services, as well as invoices captured for which payment was not made or received and, VAT outstanding for which payment was received from debtors.

Not all VAT returns were timeouly submitted by due date, although the amounts payable were not paid on or before the due date. Penalties and interest charged on late payment were accounted for an disclosed as fruitless and wasteful expediture.

23. Consumer deposits

Water	846,036	819,109

No guarantees are held in lieu of consumer deposits. These are deposits held by the municipality in respect of consumer accounts which have been opened.

24. Financial Instruments Disclosure

Categories of financial instruments

2016

Financial liabilities

	At amortised cost	Total

Figures in Rand	2016	2015

. Financial Instruments Disclosure (continued)

Consumer Deposits	846,036	846,036
Other Financial Liabilities - Current	263,581	263,581
Other financial liabilities - Non Current	878,568	878,568
	1,988,185	**1,988,185**

2015

Financial liabilities

	At amortised cost	Total
Consumer Deposits	819,109	819,109
Financial Lease Liability - Current	545,955	545,955
Other financial liabilities - Current	263,581	263,581
Other Financial libilities - Non-current	1,316,665	1,316,665
	2,945,310	**2,945,310**

25. Revenue

Service charges	65,138,739	61,461,665
Royalty income	1,828,305	779,299
Rental of facilities and equipment	136,418	435,122
Administration and management fees received	395,519	708,183
Recoveries	331,302	635,273
Other income - (rollup)	478,255	659,751
Interest received - investment	26,053,407	19,675,097
Fines	75,970	119,791
Property rates	22,693,193	21,152,561
Government grants & subsidies	99,584,584	102,213,468
	216,715,692	**207,840,210**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	65,138,739	61,461,665
Royalty income	1,828,305	779,299
Rental of facilities and equipment	136,418	435,122
Administration and management fees received	395,519	708,183
Recoveries	331,302	635,273
Other income - (rollup)	478,255	659,751
Interest received - investment	26,053,407	19,675,097
	94,361,945	**84,354,390**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines	75,970	119,791
Property rates	22,693,193	21,152,561
Transfer revenue		
Government grants & subsidies	99,584,584	102,213,468
	122,353,747	**123,485,820**

Notes to the Financial Statements

Figures in Rand	2016	2015

26. Property rates

Rates received

Residential	20,309,659	17,534,709
Commercial	13,826,116	15,119,784
Agricultural	2,222,317	1,425,035
Less: Income forgone*	(13,664,899)	(12,926,967)
	22,693,193	**21,152,561**

*Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. The amount forgone has increased from prior year as a result of more registrations which were done of pensioners who are levied rates on their properties, and an ongoing incentive which the municipality initiated as a mechanism to increase its collection for the 2015 financial year.

Valuations

Residential	986,197,817	986,197,817
Business and Industrial	275,513,822	275,513,822
Government	149,506,332	149,506,332
Agriculture	2,371,104,339	2,371,104,339
Institutional, educational and churches	151,135,941	151,135,941
	3,933,458,251	**3,933,458,251**

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2010 and came into effect on 1 July 2011, and is based on market-related values.

The first R50 000 of the valuation of residential property is exempted from rates.

As per the approved budget the basic rates were adjusted as follows;

R0.00753168 (2015:R0.007242)Rate per Rand on the value of rateable residential property
R0.0169156 (2015: R0.016265) Rate per rand on the value of rateable business property
R0.07183176(2015:R0.069069) Rate per Rand on the value of rateable government property
R0.00062504(2015:R0.000601)Rate per Rand on the value of agricultural property
A general rate of R - (2015: R -) is applied to property valuations to determine assessment rates. Rebates of -% (2015: -%) are granted to residential and state property owners.

The municipality has commenced with processes to compile a new general valuation roll which will be implemented on 01 July 2015.

27. Service charges

Sundry Service Charges	1,392,086	1,346,169
Sale of electricity	(1,376)	(414)
Sale of water	33,858,861	31,294,060
Solid waste	20,789	20,183
Sewerage and sanitation charges	17,305,717	16,696,403
Refuse removal	12,562,662	12,105,264
	65,138,739	**61,461,665**

Figures in Rand	2016	2015

28. Government grants and subsidies

Operating grants		
Equitable share	78,587,000	76,678,000
Local Government Sector Education and Training Authority (LGSETA)	523,217	-
Fezile Dabi District Municipality	-	790,468
Expanded Public Works Program Integrated Grant (EPWP)	674,258	519,980
Treasury and Cooperative Governance and Traditional Affairs (COGTA)	5,200,000	3,000,000
Electricity Effeciency Grant (EEDG)	5,777,845	3,861,171
Finance Management Grant (FMG)	1,034,197	1,782,604
Integrated National Electrification Program (INEP)	3,591,185	2,764,202
Municipal Systems Improvement Grant (MSIG)	930,002	934,000
	96,317,704	90,330,425
Capital grants		
Municipal Infrastructure Grant (MIG)	3,266,880	11,883,043
	3,266,880	11,883,043
	99,584,584	**102,213,468**

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative service to indigent community member and to subsidise income..

Municipal Infrastructure grant (MIG)

Balance unspent at beginning of year	(8,516,957)	(16,738,146)
Current-year receipts	(12,460,000)	(20,400,000)
Conditions met - transferred to revenue	3,266,880	28,621,189
	(17,710,077)	**(8,516,957)**

Conditions still to be met - remain liabilities (see note 18).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifieable projects

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

Expanded Public Works Program Integrated (EPWP)

Balance unspent at beginning of year	(491,058)	(1,242,823)
Current-year receipts	(1,000,000)	(1,000,000)
Conditions met - transferred to revenue	674,258	1,751,765
	(816,800)	**(491,058)**

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Financial Statements

Figures in Rand	2016	2015

28. Government grants and subsidies (continued)

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	(235,798)	(776,235)
Current-year receipts	(4,000,000)	(3,000,000)
Conditions met - transferred to revenue	3,591,185	3,540,437
	(644,613)	**(235,798)**

Finance Management Grant (FMG)

Balance unspent at beginning of year	(17,523)	(127)
Current-year receipts	(1,875,000)	(1,800,000)
Conditions met - transferred to revenue	1,034,197	1,782,604
	(858,326)	**(17,523)**

Conditions still to be met - remain liabilities (see note 18).

Electricity Effeciency Grant (EEDG)

Balance unspent at beginning of year	(138,829)	(2,853,834)
Current-year receipts	(6,000,000)	(4,000,000)
Conditions met - transferred to revenue	5,777,845	6,715,005
	(360,984)	**(138,829)**

Conditions still to be met - remain liabilities (see note 18).

Changes in level of government grants

29. Other revenue

Administration and management fees received - third party	395,519	708,183
Salary recoveries	331,302	635,273
Other income - (rollup)	478,255	659,751
	1,205,076	**2,003,207**

30. Other income

Connection fees	39,160	40,133
Ground gravel and soil	1,226	10,136
Cemetery fees	158,431	168,671
Certificates	62,142	57,263
Tender deposits	31,388	43,474
Building plans	50,646	134,610
Sundry income	135,262	205,464
	478,255	**659,751**

*Income from agency service consist out of the Rural Maintenance (Pty) Ltd electricity assets additions received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income over the term of the PPP agreement.

Notes to the Financial Statements

Figures in Rand	2016	2015

31. General expenses

Advertising	84,419	431,888
Auditors remuneration	4,136,551	3,401,026
Bank charges	286,314	280,474
Cleaning	1,821,973	290,920
Consulting and professional fees	2,985,330	5,924,460
Donations	-	24,380
Entertainment	364,032	136,592
Insurance	726,899	1,022,081
Community development and training	4,232,000	2,350,760
Conferences and seminars	19,131	124,129
IT expenses	950,806	2,454,590
Magazines, books and periodicals	1,766	735
Motor vehicle expenses	154,722	138,350
Fuel and oil	2,840,725	2,663,692
Postage and courier	525,666	536,309
Printing and stationery	572,383	716,664
Protective clothing	1,234,425	164,712
Security (Guarding of municipal property)	17,358	21,833
Software expenses	719,680	-
Staff welfare	644,957	52,496
Subscriptions and membership fees	21,017	25,736
Telephone and fax	2,343,244	1,985,314
Travel - local	1,760,981	1,511,987
Other expenses	33,447	228,244
Integrated development plan (IDP)	203,433	1,410,581
Recruitment Expenses	4,106	15,826
Pauper burials	7,000	18,084
Legal fees	1,691,061	273,688
Rental of Vehicles and Equipment	6,818,067	734,536
Bursaries	188,730	191,213
Chemicals	2,890,601	3,314,044
Audit Committee Sitting Fees	97,030	122,798
	38,377,854	**30,568,142**

Notes to the Financial Statements

Figures in Rand	2016	2015

32. Employee related costs

Basic	76,439,724	67,116,701
Bonus	3,727,065	3,501,309
Leave	(3,064,556)	2,693,303
	77,102,233	**73,311,313**

Remuneration of municipal manager (PI Radebe)

Annual Remuneration	646,177	589,323
Car Allowance	225,707	225,706
Contribution to SDL	10,735	10,233
Contribution to UIF	1,785	1,785
Contributions to UIF, Medical and Pension Funds	225,807	225,807
Backpay	20,923	27,562
	1,131,134	**1,080,416**

Remuneration of chief finance officer (A Hlubi)

Annual Remuneration	830,751	780,265
Car Allowance	144,000	144,000
Contributions to SDL	9,645	9,199
Contribution to UIF	1,785	1,785
Backpay	18,579	24,475
	1,004,760	**959,724**

Director Community Services - ZE Mofokeng

Annual Remuneration	582,474	591,215
Car Allowance	300,000	244,699
Contribution to SDL	8,561	8,260
Contribution to UIF	1,785	1,785
Medical and Pension Funds	-	14,692
Backpay	17,135	22,572
	909,955	**883,223**

Corporate and human resources (corporate services) NE Radebe

Annual Remuneration	802,951	756,390
Car Allowance	96,000	96,000
Contributions to SDL	9,209	8,714
Contribution to UIF	1,785	1,785
Cell Allowance	24,000	15,600
Backpay	17,135	22,572
	951,080	**901,061**

It should be noted that Mrs. NE Radebe was shifted by council to occupy the position as the corporate director, owing to the fact that the Department of Land Use and Town Planning was merged into the Technical Department.

Mayor - JE Segasa

Annual Remuneration	481,470	448,691
Car Allowance	184,563	171,998
Contribution to SDL	5,848	5,709
Backpay	19,759	30,502
Cell Data Allowance	3,600	18,504

Notes to the Financial Statements

Figures in Rand	2016	2015

32. Employee related costs (continued)

	695,240	**675,404**

Speaker - TM Moloi

Annual Remuneration	370,150	343,927
Car Allowance	147,651	137,599
Contribution to SDL	4,723	4,638
Cell Allowance	3,600	18,504
Backpay	15,807	24,401
	541,931	**529,069**

33. Remuneration of councillors

Councillors	5,613,522	4,946,053

In-kind benefits

34. Debt impairment

Contribution to consumer receivables from exchange transactions impairment provision	10,617,762	40,647,172
Contributions to consumer receivables from non-exchange transactions impairment provision	(4,048,406)	4,235,018
	6,569,356	**44,882,190**

35. Investment revenue

Interest revenue		
Financial Assets	223,001	22,603
Bank	13,186	68,540
Interest charged on trade and other receivables	25,817,220	19,583,954
	26,053,407	**19,675,097**

36. Actuarial loss on employee benefits

Actuarial (loss)/gain on employee benefits	1,115,030	1,401,000

37. Depreciation and amortisation

Property, plant and equipment	37,893,682	37,246,521
Intangible assets	365,495	39,842
	38,259,177	**37,286,363**

38. Finance costs

Finance lease liabilities	1,792,000	1,942,751
Cash and Cash equivalents and other	19,354,905	10,117,309
Non-current provisions	124,096	41,822
	21,271,001	**12,101,882**

39. Auditors' remuneration

Fees	4,136,551	3,401,026

Figures in Rand	2016	2015

40. Rental of facilities and equipment

Premises		
Premises	112,970	411,579
Venue hire	23,448	23,543
	136,418	**435,122**

41. Grants and subsidies paid

Other subsidies		
Indigent subsidies	9,595,124	3,547,907

42. Bulk purchases

Electricity	10,962,325	6,729,008
Water	34,983,969	17,039,629
	45,946,294	**23,768,637**

43. Cash generated from operations

Deficit	(50,080,396)	(54,960,990)
Adjustments for:		
Depreciation and amortisation	38,259,177	37,286,363
Gain on sale of assets and liabilities	20,045	9,208
Actuarial loss on employee benefits	(1,115,030)	(1,401,000)
Finance costs - Finance leases	1,792,000	1,942,751
Debt impairment	6,569,356	44,882,190
Service charges on employee benefits	(405,509)	(216,866)
Movements in provisions	320,063	789,220
Changes in working capital:		
Inventories	54,786	(79,520)
Receivables from exchange transactions	(592,574)	(1,414,572)
Consumer receivable from exchange transactions	(63,231,643)	(72,910,018)
Other receivables from non-exchange transactions	(10,837,710)	(2,513,941)
Payables from exchange transactions	78,002,866	93,273,809
VAT	(7,223,972)	(4,070,847)
Unspent conditional grants and receipts	10,990,632	(12,211,000)
Consumer deposits	26,927	32,189
Non-current provisions	-	-
	2,549,018	**28,436,976**

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18,657,037	40,113,980

Total capital commitments		
Already contracted for but not provided for	18,657,037	40,113,980

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.

Figures in Rand	2016	2015

45. Contingencies

Sewerage leaking into the river
The municipality was taken to court during the 2014 financial year and the case has not yet been concluded:

46. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Close family member of key management	Name
Joint venture of key management	Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management]
Post employment benefit plan for employees of entity and/or other related parties	Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity[Related party 1]
Members of key management	Name Name

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These trnasactions are recorded at arms length.

Compensation to accounting officer and other key management		
Short-term employee benefits	4,530,324	3,980,190

47. Prior period errors

This prior period error is to correct the earliest period possible being , 30 June 2014 with the relevant mistatements discribed below. Due to the correction being made on this date we have also restated the Investment Property, Property Plant and Equipment and the Intangible Assets for the 2015 year. The purpose of this restatement is to present to the users of these financial statements a prior year that will be comparable to the current reporting period. Please see this in note 48.
Investment Property: Correction of error

The prior year adjustment was made and reflects a number of changes that were detailed in the asset register, most significant changes being the movement of vacant land to investment property that was previously included in land and buildings as well as supporting for DRC values used.

Correction of error: Plant and Equipment

The prior year adjustment was processed in order to reconcile the prior year asset register with the prior years Annual Financial Statements. The 2015 asset register was used as a basis by making changes to assets that should have been transferrred from WIP since 2009 at actual cost. There was also the incorporation of Rural's network into the register as well as new found assets verified while performing the verification.

Support was also not provided for the DRC calculations of the previous registers Infrastructure assets as the cost was not discounted to the deemed cost date as prescribed in the directives, this adjustment as well as removing duplicate assets between Investment Property, Land and Building and Infrastructure lead to the decrease in the cost of infrastructure.

Correction of error: Intangible Assets

The prior year adjustment was processed in order to correct the Remaining Useful life assessment of two of the assets that were carried as zero value for the last two years, we also reassessed the Remaining useful life on all assets. In addition to this we removed assets that do not meet the recognition criteria for Intangible Assets (example: Website).

Correction of error: Heritage Assets

The prior year adjustment was processed in order to include the Mayoral Chains that should be included in the Heritage asset register.
The movement in trade payables was due to invoices relating to assets that were not recorded in the correct financial year.

The correction of the error(s) results in adjustments on the 1st of July 2015 as follows:

47. Prior period errors (continued)

Statement of financial position

	2016	2015
Property, plant and equipment	-	(428,783,768)
Investment Property	-	19,781,320
Intangible assets	-	1,250,149
Heritage assets	-	35,758
Trade Payables	-	(1,626,874)
Opening Accumulated Surplus or Deficit	-	409,343,415

48. Comparative figures

The 2015 movements discolsed in Note 3,4 & 5 have been restated to enable comparability between the prior year and the current reporting year. The major movement was in depreciation due to the opening balances in note 47 being adjusted.
The effects of the reclassification are as follows:

Statement of financial position

	2016	2015
Investment Property -Depreciation	-	672,458
Property Plant &Equipment -Additions	-	(9,311,813)
Property Plant &Equipment - Depreciation	-	96,192,393
Property Plant &Equipment - Transfers Recieved	-	10,642,808
Property Plant &Equipment - Transfers	-	(10,426,920)
Property Plant &Equipment - Other changes movements	-	(331,067)
Intangible Assets - Amortisation	-	(313,456)
Accumulated Surplus	-	(87,124,403)

49. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a reslut of the funds available to cover future commitments. The municipality manages liquidity risk though an ongoing review of future commitments and credit facilities.

49. Risk management (continued)

Credit risk

There were no material changes in respect of objectives, policies and processes for managing risks and in methods to measure risk

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any on counter-party.

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

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of non-payment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but, in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

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

Financial instrument	2016	2015
Receivable from exchange transactions	5,666,156	5,073,582
Consumer Receivable from non-exchange Transactions	17,047,338	6,209,628
Consumer Receivables from exchange transactions	117,454,004	63,954,782
Cash and Cash equivalents	635,345	619,928
Financial Assets	420,674	369,250

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that thefair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long -term financing.

The entity's interest rate risk arises from non-current borrowings and finance lease liabilities. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings are not based on prime and therefore fluctuations in prime will not affect the borrowings

Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:

50. 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.

Figures in Rand	2016	2015

50. Going concern (continued)

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. The municipality has experienced the following significant challenges during the year:

(a) The Municipality is currently facing severe cash problems, as it has for more than one month during the financial year not been able to pay employee's salaries on time;
(b) Even though VAT 201 and PAYE returns have been submitted on time, the municipality has not been able to pay SARS for taxes due;
(c) The Municipality has been deducting Pensions from employee's salaries but, has not been able to pay over to the third parties monied deducted from the employee's salaries; (R32, million)
(d) The Municipality has long outstanding creditors, and has not been able to comply with section 65 of the MFMA which requires that creditors be paid within 30 days;
(e) The municipality has received a total of R26 265 000 in conditional grants for the 2016 financial year. These grants have not been spent as per DORA requirements and thus a total of R20 390 798 remains unspent at year end but, the bank balance of the municipality is not representative of such unspent amounts but is less.
(f) The municipality has been collecting less that 50% of its revenue billed on services and taxes from its customers given the fact that it is a rural area and many of its customers are unemployed.

These are factors which may impair the likelihood of the municipality to continue as a going concern but, the accounting officer will continue to source funding from Treasury and other shpere's of government to ensure that its challenges are addressed.

51. Unauthorised expenditure

Unauthorised expenditure	108,736,398	110,616,981

52. Fruitless and wasteful expenditure

Opening balance	23,909,809	14,153,749
Fruitless and wasteful expenditure: current year	12,173	9,756,060
	23,921,982	**23,909,809**

53. Irregular expenditure

Opening balance	45,308,972	35,470,569
Add: Irregular Expenditure - current year	-	9,838,403
	45,308,972	**45,308,972**

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,039,315	611,268
Current year subscription / fee	1,635,388	1,044,315
Amount paid - current year	(13,000)	(5,000)
Amount paid - previous years	(12,500)	(611,268)
	2,649,203	**1,039,315**

SALGA subscriptions for the current and prior reporting period.

Notes to the Financial Statements

Figures in Rand	2016	2015

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees - Auditor General

Opening balance	5,277,013	3,149,817
Current year subscription / fee	4,715,668	3,401,026
Amount paid - current year	(838,341)	-
Amount paid - previous years	(3,510,638)	(1,273,830)
	5,643,702	**5,277,013**

PAYE, UIF and SDL

Opening balance	8,224,941	7,318,855
Current year subscription / fee	8,783,857	7,867,266
Amount paid - current year	(3,304,969)	(7,894,049)
Interest and penalties	558,260	932,869
	14,262,089	**8,224,941**

Pension and Medical Aid Deductions

Opening balance	19,222,043	10,453,233
Current year subscription / fee	11,511,923	16,846,727
Amount paid - current year	(6,164,034)	(8,077,917)
	24,569,932	**19,222,043**

Notes to the Financial Statements

Figures in Rand	2016	2015

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at June 30, 2016:

June 30, 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M	5,785	17,410	23,195
Jaft UC	510	-	510
Monaune PM	489	7,007	7,496
Mosia AS	1,279	1,145	2,424
Motloung P	845	5,660	6,505
Councillor F	1,148	17,986	19,134
Pretorious JJ	7,967	13,590	21,557
	18,023	**62,798**	**80,821**

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Hadebe M	1,608	6,344	7,952
Japhta U	532	650	1,182
Mosia AS	1,474	1,315	2,789
Motloung P	858	7,067	7,925
Motloung WC	1,072	17,747	18,819
Pretorius JJ	5,395	33,117	38,512
Rakoloti E	734	-	734
	11,673	**66,240**	**77,913**

During the year the following Councilors' had arrear accounts outstanding for more than 90 days.

June 30, 2016	Highest outstanding amount	Aging (in days)
Hadebe M	23,195	-
Japhta U	510	-
Monaune PM	7,496	-
Mosia AS	2,424	-
Motloung P	6,505	-
Motloung	19,133	-
Pretorius JJ	21,557	-
	80,820	**-**

June 30, 2015	Highest outstanding amount	Aging (in days)
Hadebe M	6,344	-
Jafta UC	650	-
Monaune PM	5,179	-
Mosia AS	1,315	-
Motloung P	7,067	-
Motloung WC	17,747	-
Pretorius JJ	33,117	-
	71,419	**-**