THE BIG 5 FALSE BAY MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016

General Information

Mayoral committee	
Executive Mayor	CT Khumalo
	MS Msane
Councillors	NF Bukhosini
	CC Gumede
	F Zulu
	NR Thethwayo
Grading of local authority	Grade 1 - Low capacity
Acting Chief Financial Officer (CFO)	S Mchunu
Acting Accounting Officer	Dr VJ Mthembu
Business address	163 Zebra Street Hluhluwe 3960
Postal address	P.O. Box 89 Hluhluwe 3960
Bankers	First National Bank of SA ABSA
Auditors	The Auditor General South Africa Private Bag X9034 Pietermaritzburg 3200
Attorneys	Gosai and Company Attorneys and Conveyancers 105 Sixth Avenue Morningside Durban 4000 C Ngubane and Associates Inc. 17 Lennox Road Morningside Durban 4000

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

Abbreviations

EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
INEPG	Integrated National Electrification Programme Grant
LED	Local Economic Development
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARS	South African Revenue Service
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the current year to 30 June 2017. In light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, as disclosed in the notes of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Office Bearers Act and the Minister of Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Dr VJ Mthembu
Acting Accounting Officer

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4	1 619 347	37 676
Receivables from non-exchange transactions	5	4 528 090	4 120 638
VAT receivable	6	4 403 751	792 532
Consumer debtors	7	12 579 602	10 576 767
Cash and cash equivalents	8	2 734 295	116 668
		25 865 085	**15 644 281**
Non-Current Assets			
Property, plant and equipment	2	131 688 841	126 223 700
Intangible assets	3	190 137	167 015
Receivables from exchange transactions	4	491 440	-
		132 370 418	**126 390 715**
Non-Current Assets		132 370 418	126 390 715
Current Assets		25 865 085	15 644 281
Total Assets		**158 235 503**	**142 034 996**
Liabilities			
Current Liabilities			
Finance lease obligation	9	-	309 019
Payables from exchange transactions	12	16 272 055	13 703 479
Payables from non-exchange transactions	13	449 650	423 530
Unspent conditional grants and receipts	10	5 401 403	147 814
Bank overdraft	8	-	1 957 429
		22 123 108	**16 541 271**
Non-Current Liabilities			
Provisions	11	6 064 252	5 514 306
Non-Current Liabilities		6 064 252	5 514 306
Current Liabilities		22 123 108	16 541 271
Total Liabilities		**28 187 360**	**22 055 577**
Assets		158 235 503	142 034 996
Liabilities		(28 187 360)	(22 055 577)
Net Assets		**130 048 143**	**119 979 419**
Accumulated surplus		130 048 143	119 979 419

* See Note 32

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	1 550 175	1 465 419
Rental of facilities and equipment		32 426	55 215
Other income	16	2 361 918	194 723
Interest received - bank		289 042	120 808
Fees earned		1 557	-
Total revenue from exchange transactions		**4 235 118**	**1 836 165**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	17	11 443 444	10 619 853
Property rates - penalties imposed	17	2 462 986	1 696 469
Transfer revenue			
Government grants and subsidies	18	54 561 411	45 025 094
Donations		-	647 404
Fines		1 091 440	4 869 897
Total revenue from non-exchange transactions		**69 559 281**	**62 858 717**
		4 235 118	1 836 165
		69 559 281	62 858 717
Total revenue	14	**73 794 399**	**64 694 882**
Expenditure			
Employee related costs	19	(16 750 815)	(15 482 113)
Remuneration of councillors	20	(1 837 948)	(1 812 347)
Depreciation and amortisation	21	(4 212 891)	(2 989 173)
Impairment loss/ Reversal of impairments	2	(2 433 431)	-
Finance costs	22	(682 026)	(600 247)
Debt impairment	23	(1 759 194)	(2 809 109)
Repairs and maintenance		(1 777 057)	(1 458 740)
Contracted services	24	(2 323 621)	(2 144 517)
Conditional grants (operational)	27	(11 802 687)	(9 271 226)
General expenses	25	(20 146 005)	(14 405 629)
Total expenditure		**(63 725 675)**	**(50 973 101)**
		-	-
Total revenue		73 794 399	64 694 882
Total expenditure		(63 725 675)	(50 973 101)
Operating surplus		**10 068 724**	**13 721 781**
Operating surplus/deficit		-	-
Surplus before taxation		10 068 724	13 721 781
Taxation		-	-
Surplus for the year		**10 068 724**	**13 721 781**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	100 759 119	100 759 119
Adjustments		
Correction of errors	3 870 196	3 870 196
2014 year adjustments	1 628 323	1 628 323
Balance at 01 July 2014 as restated	**106 257 638**	**106 257 638**
Changes in net assets		
Surplus for the year	13 721 781	13 721 781
Total changes	13 721 781	13 721 781
Balance at 01 July 2015 restated	**119 979 419**	**119 979 419**
Changes in net assets		
Surplus for the year	10 068 724	10 068 724
Total changes	10 068 724	10 068 724
Balance at 30 June 2016	**130 048 143**	**130 048 143**

* See Note 32

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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		12 231 295	9 913 210
Grants		59 815 000	43 623 000
Interest income - bank		289 042	120 808
Other receipts		2 448 661	248 235
Fines		147 269	4 278 060
		74 931 267	58 183 313
Payments			
Suppliers		(62 618 829)	(43 607 601)
Finance costs		(186 235)	(173 201)
		(62 805 064)	(43 780 802)
Total receipts		74 931 267	58 183 313
Total payments		(62 805 064)	(43 780 802)
Net cash flows from operating activities	28	**12 126 203**	**14 402 511**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(12 340 887)	(12 992 761)
Purchase of other intangible assets	3	(154 830)	(10 000)
Net cash flows from investing activities		**(12 495 717)**	**(13 002 761)**
Cash flows from financing activities			
Movement in unspent conditional grants		5 253 589	(1 402 094)
Finance lease payments		(309 019)	(483 883)
Net cash flows from financing activities		**4 944 570**	**(1 885 977)**
Net increase/(decrease) in cash and cash equivalents		**4 575 056**	**(486 227)**
Cash and cash equivalents at the beginning of the year		(1 840 761)	(1 354 534)
Cash and cash equivalents at the end of the year	8	**2 734 295**	**(1 840 761)**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	1 657 000	-	**1 657 000**	1 550 175	**(106 825)**	42.1.1
Rental of facilities and equipment	140 000	(100 000)	**40 000**	32 426	**(7 574)**	42.1.2
Interest received	800 000	800 000	**1 600 000**	-	**(1 600 000)**	42.1.3
Fees earned	-	-	**-**	1 557	**1 557**	
Other income	400 000	-	**400 000**	2 361 918	**1 961 918**	42.1.4
Interest received - investment	150 000	-	**150 000**	289 042	**139 042**	41.1.5
Total revenue from exchange transactions	**3 147 000**	**700 000**	**3 847 000**	**4 235 118**	**388 118**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	10 310 000	906 000	**11 216 000**	11 443 444	**227 444**	42.2.1
Property rates - penalties imposed	-	-	**-**	2 462 986	**2 462 986**	42.2.2
Transfer revenue						
Government grants & subsidies	56 817 000	2 000	**56 819 000**	54 561 411	**(2 257 589)**	42.2.3
Fines, Penalties and Forfeits	12 000 000	(10 000 000)	**2 000 000**	1 091 440	**(908 560)**	42.2.4
Total revenue from non-exchange transactions	**79 127 000**	**(9 092 000)**	**70 035 000**	**69 559 281**	**(475 719)**	
'Total revenue from exchange transactions'	3 147 000	700 000	**3 847 000**	4 235 118	**388 118**	
'Total revenue from non-exchange transactions'	79 127 000	(9 092 000)	**70 035 000**	69 559 281	**(475 719)**	
Total revenue	**82 274 000**	**(8 392 000)**	**73 882 000**	**73 794 399**	**(87 601)**	
Expenditure						
Employee related costs	(21 134 000)	2 667 000	**(18 467 000)**	(16 750 815)	**1 716 185**	42.3.1
Remuneration of councillors	(1 866 000)	-	**(1 866 000)**	(1 837 948)	**28 052**	42.3.2
Depreciation and amortisation	(4 000 000)	-	**(4 000 000)**	(4 212 891)	**(212 891)**	42.3.3
Impairment loss/ Reversal of impairments	-	-	**-**	(2 433 431)	**(2 433 431)**	42.3.3
Finance costs	(150 000)	(350 000)	**(500 000)**	(682 026)	**(182 026)**	42.3.4
Debt impaiment	(7 000 000)	3 000 000	**(4 000 000)**	(1 759 194)	**2 240 806**	42.3.5
Repairs and maintenance	-	-	**-**	(1 777 057)	**(1 777 057)**	
Contracted Services	(18 264 000)	790 000	**(17 474 000)**	(2 323 621)	**15 150 379**	42.3.6
Transfers and Subsidies	(300 000)	-	**(300 000)**	(11 802 687)	**(11 502 687)**	42.3.7
General Expenses	(17 317 000)	1 550 000	**(15 767 000)**	(20 146 005)	**(4 379 005)**	42.3.8
Total expenditure	**(70 031 000)**	**7 657 000**	**(62 374 000)**	**(63 725 675)**	**(1 351 675)**	
Surplus for year	12 243 000	(735 000)	**11 508 000**	10 068 724	**(1 439 276)**	
	-	-	**-**	-	**-**	
Surplus before taxation	**12 243 000**	**(735 000)**	**11 508 000**	**10 068 724**	**(1 439 276)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus for the year	12 243 000	(735 000)	**11 508 000**	10 068 724	**(1 439 276)**	
Taxation	-	-	**-**	-	**-**	
Surplus for the year	**12 243 000**	**(735 000)**	**11 508 000**	**10 068 724**	**(1 439 276)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	**-**	1 619 347	**1 619 347**	42.4.1
Receivables from non-exchange transactions	-	-	**-**	4 528 090	**4 528 090**	42.4.2
VAT receivable	1 000 000	-	**1 000 000**	4 403 751	**3 403 751**	42.4.3
Consumer debtors	25 190 000	-	**25 190 000**	12 579 602	**(12 610 398)**	42.4.4
Cash and cash equivalents	83 000	-	**83 000**	2 734 295	**2 651 295**	42.4.5
	26 273 000	**-**	**26 273 000**	**25 865 085**	**(407 915)**	
Non-Current Assets						
Property, plant and equipment	123 475 000	-	**123 475 000**	131 688 841	**8 213 841**	42.5.1
Intangible assets	180 000	-	**180 000**	190 137	**10 137**	42.6.2
Receivables from exchange transactions	-	-	**-**	491 440	**491 440**	42.5.3
	123 655 000	**-**	**123 655 000**	**132 370 418**	**8 715 418**	
Current Assets	26 273 000	-	**26 273 000**	25 865 085	**(407 915)**	
Non-Current Assets	123 655 000	-	**123 655 000**	132 370 418	**8 715 418**	
Total Assets	**149 928 000**	**-**	**149 928 000**	**158 235 503**	**8 307 503**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	6 500 000	-	**6 500 000**	16 272 055	**9 772 055**	42.6.1
Taxes and transfers payable (non-exchange)	-	-	**-**	449 650	**449 650**	42.6.2
Unspent conditional grants and receipts	-	-	**-**	5 401 403	**5 401 403**	42.6.3
	6 500 000	**-**	**6 500 000**	**22 123 108**	**15 623 108**	
Non-Current Liabilities						
Provisions	4 900 000	-	**4 900 000**	6 064 252	**1 164 252**	42.7.1
Other liability	200 000	-	**200 000**	-	**(200 000)**	
	5 100 000	**-**	**5 100 000**	**6 064 252**	**964 252**	
Current liabilities	6 500 000	-	**6 500 000**	22 123 108	**15 623 108**	
Non-current liabilities	5 100 000	-	**5 100 000**	6 064 252	**964 252**	
	-	-	**-**	-	**-**	
Total Liabilities	**11 600 000**	**-**	**11 600 000**	**28 187 360**	**16 587 360**	
Assets	149 928 000	-	**149 928 000**	158 235 503	**8 307 503**	
Liabilities	(11 600 000)	-	**(11 600 000)**	(28 187 360)	**(16 587 360)**	
Net Assets	**138 328 000**	**-**	**138 328 000**	**130 048 143**	**(8 279 857)**	
Reserves						
Accumulated surplus	138 328 000	-	**138 328 000**	124 109 591	**(14 218 409)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and key sources of uncertainty

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

Trade receivables and loans receivables

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available (refer to 1.12). Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Effective interest rate

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

Accounting Policies

1.3 Significant judgements and key sources of uncertainty (continued)

Allowance for doubtful debts

Traffic fines debtors

The accounting policy entails calculating the allowance for doubtful debts percentage as the difference between the gross debtors for the year and the percentage of average payments received.

Consumer debtors

The accounting policy entails using the estimates about the probability of debtors recoverability based on their past payment history, aging and risk profile.

The latter methods provide a more reliable estimate of the allowance for doubtful debts. The change in accounting policy was applied retrospectively and the corresponding comparative figures were restated.

VAT

VAT Receivable is the Net Receivable from all VAT Control Accounts

VAT is payable on receipt basis i.e. only once payment is received from debtors, VAT is paid over to SARS.

Interest on late payments of VAT is payable to SARS. Interest charged is in accordance with SARS policies. The municipality has financial risk policies in place to ensure that VAT payments are effected before the due date.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Roads and paving	Straight line	30
Buildings	Straight line	30
Pedestrian Malls	Straight line	30
Electricity	Straight line	10-50
Furniture and fixtures	Straight line	7-10
Motor vehicles	Straight line	5 - 7
Office equipment	Straight line	3-7
Watercraft	Straight line	15
Recreational facilities	Straight line	20-30
Bins and containers	Straight line	5
Specialised Plant and Equipment	Straight line	7-15
Other items of plant and machinery	Straight line	2-5
Landfill sites	Straight line	20
Specialised vehicles	Straight line	7 - 10

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

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

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

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

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits or service potential are expected from its use.

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.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories at their carrying amounts when they cease to be rented and become held for sale. The proceeds from sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 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 a 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.

Accounting Policies

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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.

Accounting Policies

1.6 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	2-5 years

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

1.7 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset or 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.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Change in accounting policy

Management decided to voluntarily change the basis of calculating the allowance for doubtful debts during the period. In prior years, allowance for doubtful debts was measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Traffic fines debtors

The accounting policy entails calculating the allowance for doubtful debts percentage as the difference between the gross debtors for the year and the percentage of average payments received.

Consumer debtors

The accounting policy entails using the estimates about the probability of debtors recoverability based on their past payment history, aging and risk profile.

The latter methods provide a more reliable estimate of the allowance for doubtful debts. The change in accounting policy was applied retrospectively and the corresponding comparative figures were restated.

1.7 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will be bankrupt, and default on payments are all considered as impairment indicators.

Economic or legal reasons that allow disadvantaged customers who are experiencing difficulties to pay as and when they can is also considered as an impairment indicator.

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

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

Derecognition

Financial assets

The munipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.8 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.

Accounting Policies

1.8 Leases (continued)

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 municipality's incremental borrowing rate.

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. If the lease term has expired, the actual amount incurred is recognised as an expense and a commitment will be one year's worth of expenditure estimated from the current available information.

1.9 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

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

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

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.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Accounting Policies

1.11 Employee benefits

Short-term employee benefits

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

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

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

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

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

1.12 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 of the obligation can be made.

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

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

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

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

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

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

Accounting Policies

1.12 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when a municipality:

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

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

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

Accounting Policies

1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

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 municipality considers 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 municipality tests 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 1.9 and 1.10.

If the related asset is measured using the revaluation model:
- 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;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class are revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.13 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 cash, goods, services or use of assets) to the other party in exchange.

Measurement

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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.

Interest, royalties and dividends

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.

1.14 Revenue from non-exchange transactions

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

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

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

Non-exchange transactions are transactions other than exchange 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.

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

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes (e.g. government grants).

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.14 Revenue from non-exchange transactions (continued)

Fines

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

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount receivable from debtors are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

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

Gifts and donations, including goods in-kind

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

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associtated with the transaction will flow to the municipality.
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.15 Investment income

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 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.

Accounting Policies

1.19 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.

1.20 Commitments

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

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

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

1.21 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

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

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

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

1.22 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.

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

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

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

1.23 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.24 Grants in aid

The municipality receives money from other sector departments to spend on free basic services and other expenses relating to the grant received.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occured.

2. 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	31 703 100	-	31 703 100	31 703 100	-	31 703 100
Buildings	53 426 041	(11 680 701)	41 745 340	48 209 699	(7 530 349)	40 679 350
Furniture and fixtures	2 072 909	(457 203)	1 615 706	1 759 682	(174 956)	1 584 726
Motor vehicles	3 518 079	(1 894 914)	1 623 165	3 494 898	(1 481 721)	2 013 177
Office equipment	776 995	(552 052)	224 943	862 575	(509 972)	352 603
IT equipment	497 987	(284 609)	213 378	953 408	(431 073)	522 335
Infrastructure	31 166 955	(8 035 397)	23 131 558	27 415 250	(6 561 855)	20 853 395
Community	8 000	(3 733)	4 267	8 000	(3 467)	4 533
Assets under construction	31 427 384	-	31 427 384	28 510 481	-	28 510 481
Total	**154 597 450**	**(22 908 609)**	**131 688 841**	**142 917 093**	**(16 693 393)**	**126 223 700**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	31 703 100	-	-	-	-	-	31 703 10
Buildings	40 679 350	3 640	-	5 212 701	(1 788 445)	(2 361 906)	41 745 34
Furniture and fixtures	1 584 726	333 799	(20 244)	-	(282 575)	-	1 615 70
Motor vehicles	2 013 177	23 181	-	-	(413 193)	-	1 623 16
Office equipment	352 603	3 971	(44 400)	-	(87 231)	-	224 94
IT equipment	522 335	94 987	(296 488)	-	(107 456)	-	213 37
Infrastructure	20 853 395	-	-	3 751 705	(1 402 017)	(71 525)	23 131 55
Community	4 533	-	-	-	(266)	-	4 26
Assets under construction	28 510 481	11 881 309	-	(8 964 406)	-	-	31 427 38
	126 223 700	**12 340 887**	**(361 132)**	**-**	**(4 081 183)**	**(2 433 431)**	**131 688 84**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Other changes, movements**	**Depreciation**	**Impairment reversal**	**Total**
Land	24 340 400	-	-	7 362 700	-	-	31 703 10
Buildings	42 320 950	60 976	-	(89 140)	(1 613 436)	-	40 679 35
Furniture and fixtures	119 959	1 628 343	(31 249)	21 657	(153 984)	-	1 584 72
Motor vehicles	1 236 892	647 404	-	412 797	(283 916)	-	2 013 17
Office equipment	269 840	-	(50 075)	187 128	(54 290)	-	352 60
IT equipment	356 801	104 636	(25 505)	212 007	(125 727)	123	522 33
Infrastructure	20 601 362	-	-	971 675	(719 642)	-	20 853 39
Community	4 799	-	-	-	(266)	-	4 53
Assets under construction	17 044 847	10 551 402	-	914 232	-	-	28 510 48
	106 295 850	**12 992 761**	**(106 829)**	**9 993 056**	**(2 951 261)**	**123**	**126 223 70**

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.

Figures in Rand	2016	2015

3. 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	781 165	(591 028)	190 137	626 335	(459 320)	167 015

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	167 015	154 830	(131 708)	190 137

Reconciliation of intangible assets - 2015

	Opening balance	**Additions**	**Disposals**	**Other changes, movements**	**Amortisation**	**Total**
Computer software, other	90 424	10 000	(174)	104 677	(37 912)	167 015

4. Receivables from exchange transactions

Consumer debtors - rentals	-	7 576
Staff allowances over-payment: current portion	99 141	-
Sundry debtors	1 520 206	30 100
	1 619 347	**37 676**

Staff allowance over-payment		
Current portion	99 141	-
Non-current portion	491 440	-
	590 581	**-**

Staff allowance over-payment is due to the following:

1. Staff bonuses for certain employees were erroneously not apportioned to correctly reflect bonuses for employees whose service anniversary is less than 12 months.

2. Two employees who acted during 2015/16 financial year were erroneously paid the actual amount for the posts they were acting in instead of being paid an acting allowance.

5. Receivables from non-exchange transactions

Gross fines	14 466 748	13 522 578
Less: Allowance for impairment	(9 938 658)	(9 401 940)
	4 528 090	**4 120 638**

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

Opening balance	9 401 940	10 554 177
Provision for impairment	536 718	(1 152 237)
	9 938 658	**9 401 940**

Figures in Rand	2016	2015

5. Receivables from non-exchange transactions (continued)

Change in accounting policy		
Allowance for impairment previously shown	-	6 761 289
Adjustment	-	2 640 651
	-	**9 401 940**

Management decided to voluntarily change the basis of calculating the allowance for doubtful debts during the period. In prior years, allowance for doubtful debts was measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The new accounting policy entails calculating the allowance for doubtful debts percentange as the difference between the gross debtors for the year and the percentage of average payments received.

6. VAT receivable

VAT	4 403 751	792 532

Correction of prior period error		
Previously shown	-	487 884
Adjustment	-	304 608
	-	**792 492**

7. Consumer debtors

Gross balance		
Consumer debtors	20 651 661	17 426 351
Less: Allowance for impairment	(8 072 059)	(6 849 584)
	12 579 602	**10 576 767**

Figures in Rand	2016	2015

7. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers and place of worship		
Current (0 -30 days)	538 476	258 149
30 - 90 days	317 880	247 945
90 - 120 days	148 986	143 323
120 - 180 days	143 216	222 286
> 180 days	9 901 827	8 032 063
	11 050 385	8 903 766
Less: Allowance for impairment	(6 028 180)	(4 255 548)
	5 022 205	**4 648 218**

Agriculture and commercial		
Current (0 -30 days)	800 227	480 915
30 - 90 days	428 545	287 007
90 - 120 days	155 843	198 565
120 - 180 days	127 048	207 403
> 180 days	5 046 175	5 047 639
	6 557 838	6 221 529
Less: Allowance for impairment	(2 043 880)	(2 594 036)
	4 513 958	**3 627 493**

National and provincial government		
Current (0 -30 days)	83 666	40 960
30 - 90 days	69 421	63 895
90 - 120 days	34 710	27 249
120 - 180 days	32 495	59 272
> 180 days	2 823 147	2 109 680
	3 043 439	**2 301 056**

Total		
Current (0 -30 days)	1 422 369	780 024
30 - 90 days	815 846	598 847
90 - 120 days	339 538	369 137
120 - 180 days	302 759	488 961
> 180 days	17 771 149	15 189 382
	20 651 661	17 426 351
Less: Allowance for impairment	(8 072 059)	(6 849 584)
	12 579 602	**10 576 767**

Reconciliation of allowance for impairment		
Balance at beginning of the year	6 849 584	5 359 653
Contributions to allowance	1 222 475	1 489 931
	8 072 059	**6 849 584**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2016	2015

8. Cash and cash equivalents (continued)

Cash on hand	-	4 295
Call account	2 019 260	43 680
Other bank balances	160 320	13 765
Short-term investments	56 323	54 928
Bank balances	498 392	-
Bank overdraft	-	(1 957 429)
	2 734 295	**(1 840 761)**

Current assets	2 734 295	116 668
Current liabilities	-	(1 957 429)
	2 734 295	**(1 840 761)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2016**	**30 June 2015**	**30 June 2014**
First National Bank - (Primary bank account) - 620-223-40385	498 392	(1 957 429)	(1 912 628)	498 392	(1 957 429)	(1 912 628)
First National Bank - (Call account) - 620-753-47396	160 320	13 765	170 037	160 320	13 765	170 037
First National Bank - (Money market account) - 622-143-60068	2 019 260	43 680	332 239	2 019 260	43 680	332 239
ABSA Bank - (Short-term investment) - 910-958-6760	56 323	54 928	53 828	56 323	54 928	53 828
Total	**2 734 295**	**(1 845 056)**	**(1 356 524)**	**2 734 295**	**(1 845 056)**	**(1 356 524)**

9. Finance lease obligation

Minimum lease payments due		
- within one year	-	309 019
Present value of minimum lease payments due		
- within one year	-	309 019
The total future minimum sublease payment expected to be received under non-cancellable sublease	-	309 019

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 11% (2015: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments .

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises:

MIG - Municipal Infrastructure Grant	5 000 000	-
INEPG - Integrated National Electrification Programme Grant	-	1 951
Municipal Systems Improvement Grant	401 400	-
EPWP - Expanded Public Works Programme Grant	3	145 863
	5 401 403	**147 814**

Figures in Rand	2016	2015

10. Unspent conditional grants and receipts (continued)

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

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

Refer to note 17 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2016	2015

11. Provisions

Reconciliation of provisions - 2016

	Opening balance	Additions	Total
Landfill site	5 140 649	436 955	5 577 604
Employee benefit	373 657	112 991	486 648
	5 514 306	**549 946**	**6 064 252**

Reconciliation of provisions - 2015

	Opening balance	Additions	Total
Landfill site	4 737 925	402 724	5 140 649
Employee benefit	314 208	59 449	373 657
	5 052 133	**462 173**	**5 514 306**

Correction of prior period error

	2016	2015
Adjustment	-	373 657

Landfill site

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8.5%, over an average period of 7 years.

Employee benefit - long service awards

The council offers employees leave awards that may be exchanged for cash on certain service anniversaries and retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by DT Mureriwa from One Pangaea Financial, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used were as follows (presented as %):

	2016	2015
Discount rate per annum	9	9
General inflation	7	6
Salary inflation	8	7
Net discount rate	1	1
Examples of mortality rates used were as follows:	-	-
Average retirement age (in years)	63	63
Mortality during employment: SA85-90 (in both years)	-	-
	-	**-**

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

	2016	2015
Present value of funded obligations	486 648	373 657

Movements in the defined benefit obligation are as follows:

	2016	2015
Balance at the beginning of the year	373 657	314 208
Interest cost	30 655	24 312
Current service	56 034	52 454

Figures in Rand	2016	2015

11. Provisions (continued)

Benefit payments	(25 165)	(17 567)
Actuarial (gains) / losses	51 467	250
	486 648	**373 657**

The amounts recognised in the statement of financial performance were as follows:

Interest cost	-	24 312
Current service cost	56 034	52 454
Benefit payments	(25 165)	(17 567)
Actuarial (gains) / losses	51 467	250
	82 336	**59 449**

Summary

Statement of financial position obligation:		
Long service awards	486 648	373 657
Statement of financial performance		
Long service awards	486 648	59 449

12. Payables from exchange transactions

Trade payables	9 472 163	5 732 843
Retentions	2 071 416	2 878 883
Provision for leave pay	1 054 908	1 269 857
Accrued bonus	415 857	319 907
Site deposits	2 502 925	2 513 925
Other creditors	753 668	986 946
Unallocated deposits	1 118	1 118
	16 272 055	**13 703 479**

Correction of prior period error

Previously shown	-	13 405 549
Adjustment	-	236 951
	-	**13 642 500**

13. Payables from non-exchange transactions

Payables from non-exchange transactions	449 650	423 530

Analysis of payables from non-exchange transactions

Deposits received	4 205	5 897
Property rates and refuse received in advance	445 445	417 633
	449 650	**423 530**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

14. Revenue

Service charges	1 550 175	1 465 419
Rental of facilities and equipment	32 426	55 215
Fees earned	1 557	-
Other income	2 361 918	194 723
Interest received - investments	289 042	120 808
Property rates	11 443 444	10 619 853
Property rates - penalties imposed	2 462 986	1 696 469
Government grants and subsidies	54 561 411	45 025 094
Public contributions and donations	-	647 404
Fines, Penalties and Forfeits	1 091 440	4 869 897
	73 794 399	**64 694 882**

The amounts included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 550 175	1 465 419
Rental of facilities and equipment	32 426	55 215
Fees earned	1 557	-
Other income	2 361 918	194 723
Interest received - investment	289 042	120 808
	4 235 118	**1 836 165**

The amounts included in revenue arising from non-exchange transactions are as follows:		
Taxation revenue		
Property rates	11 443 444	10 619 853
Property rates - penalties imposed	2 462 986	1 696 469
Transfer revenue		
Government grants & subsidies	54 561 411	45 025 094
Public contributions and donations	-	647 404
Fines	1 091 440	4 869 897
	69 559 281	**62 858 717**

15. Service charges

Refuse removal	1 550 175	1 465 419

16. Other income

Rates certificates	5 855	2 126
Venue hire	-	1 315
Hall hire	6 950	5 936
Sale of sites	156 198	-
Library fines	443	816
Business licences	737	6 599
Dumping permit	760	958
1% Treasury subsidy	5 976	-
Local government SETA refunds	9 878	41 535
Copies, fax & printing	225	572
Buildings plans	28 873	20 502
Tender fees	30 830	52 534
Cemetery	3 795	9 564
Insurance payout	2 111 398	52 266
	2 361 918	**194 723**

Figures in Rand	2016	2015

17. Property rates

Rates received

Property rates	11 443 444	10 619 853
	11 443 444	10 619 853
Property rates - penalties imposed	2 462 986	1 696 469
	13 906 430	**12 316 322**

Figures in Rand	2016	2015

18. Government grants and subsidies

Operating grants		
Equitable Share	30 989 000	22 484 944
Financial Management Grant	1 800 000	1 800 000
Library Grant	677 000	655 000
Integrated Development Plan Grant	-	142 964
Electrification Program Grant	8 001 951	6 998 049
Expanded Public Works Programme Grant	1 145 860	854 137
Municipal Systems Improvement Grant	528 600	934 000
	43 142 411	**33 869 094**

Capital grants		
Municipal Infrastructure Grant	11 419 000	11 156 000
Operating grants	43 142 411	33 869 094
Capital grants	11 419 000	11 156 000
Total grants	**54 561 411**	**45 025 094**

MIG - Municipal Infrastructure Grant

Balance unspent at beginning of year	-	1 406 944
Current-year receipts	16 419 000	11 156 000
Conditions met - transferred to revenue	(11 419 000)	(11 156 000)
Transfer to Equitable Share	-	(1 406 944)
	5 000 000	**-**

INEPG - Integrated National Electrification Programme Grant

Balance unspent at beginning of year	1 951	-
Current-year receipts	8 000 000	7 000 000
Conditions met - transferred to revenue	(8 001 951)	(6 998 049)
	-	**1 951**

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(528 600)	(934 000)
	401 400	**-**

Financial Management Grant

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	**-**

EPWP - Expanded Public Works Programme Grant

Balance unspent at beginning of year	145 863	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 145 860)	(854 137)
	3	**145 863**

Library Grant

Figures in Rand	2016	2015

18. Government grants and subsidies (continued)

Current-year receipts	671 024	655 000
Conditions met - transferred to revenue	(671 024)	(655 000)
	-	-

Integrated Development Plan Grant

Balance unspent at beginning of year	-	142 964
Conditions met - transferred to revenue	-	(142 964)
	-	-

Figures in Rand	2016	2015

19. Employee related costs

Basic	11 930 435	11 368 616
Bonus	1 127 001	657 573
Medical aid, pension fund and SALGA - employer contributions	2 512 577	2 395 626
UIF	103 528	83 260
SDL	146 397	124 504
Leave pay provision charge	(39 876)	442 423
Other allowances	12 000	-
Overtime payments	172 366	57 793
Group life	326 050	317 181
Long service awards contribution	82 336	35 137
Acting allowances	362 951	-
Housing benefits and allowances	15 050	-
	16 750 815	**15 482 113**

Remuneration of municipal manager

Annual remuneration	-	692 333
Car allowance	-	110 000
Contributions to UIF, medical and pension funds	-	11 149
	-	**813 482**

Municipal manager post was vacant for the whole financial year.

Remuneration of chief finance officer

Annual remuneration	314 269	594 476
Car allowance	59 987	179 962
Contributions to UIF, medical and pension funds	-	9 183
	374 256	**783 621**

Chief financial officer post was vacant for the whole financial year.

Remuneration of corporate services director

Annual remuneration	824 156	774 438
Contributions to UIF, medical and pension funds	1 765	9 543
	825 921	**783 981**

Remuneration of community services director

Annual remuneration	-	99 579
Car allowance	-	32 994
Contributions to UIF, medical and pension funds	-	2 691
	-	**135 264**

The post was vacant for the whole financial year.

20. Remuneration of councillors

Councillors	1 205 081	1 079 741
Chairperson of Section 79 Committee	220 028	179 851
Mayor	412 839	552 755
	1 837 948	**1 812 347**

Figures in Rand	2016	2015

20. Remuneration of councillors (continued)

In-kind benefits

Mayor post was vacant for few months during the financial year.

The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of Council owned vehicle for official duties.

The Mayor has two full-time bodyguards.

21. Depreciation and amortisation

Property, plant and equipment	4 081 183	2 951 261
Intangible assets	131 708	37 912
	4 212 891	**2 989 173**

22. Finance costs

Finance leases	12 009	65 943
Discounting factor on provisions	467 610	427 046
Bank	20 102	107 258
Late payment of tax	154 123	-
Natal Joint Municipal Pension Fund	28 182	-
	682 026	**600 247**

23. Debt impairment

Debt impairment - consumer debtors	1 222 475	1 740 746
Debt impairment - traffic fines	536 719	2 220 600
Effect of change in accounting policy	-	(1 152 237)
	1 759 194	**2 809 109**

24. Contracted services

Operating leases	1 173 797	714 035
Specialist services	144 561	505 469
Other contractors	1 005 263	925 013
	2 323 621	**2 144 517**

Figures in Rand	2016	2015

25. General expenses

Valuation roll	140 650	115 000
Auditors remuneration	3 233 214	2 295 474
Bank charges	105 636	59 997
Cleaning	19 206	11 053
Mayoral bursary	105 240	5 413
Computer expenses	316 540	150 174
Consulting and professional fees	621 280	331 602
Consumables	8 219	46 959
Scrapping loss	361 132	106 830
Disaster management	207 190	566 949
Donations	11 750	112 195
Entertainment	114 490	79 993
Insurance	165 319	122 041
Community development and training	49 668	180 424
Horticulture	71 760	5 889
Traffic fines administration fees	249 620	305 200
Fuel and oil	573 401	521 206
Postage and courier	328 031	205 680
Printing and stationery	327 038	158 607
Publicity	157 265	257 229
Royalties and license fees	133 470	86 994
Security (Guarding of municipal property)	7 590 374	3 653 709
Subscriptions and membership fees	516 152	507 951
Telephone and fax	86 665	345 189
Training	553 074	772 105
Travel - local	957 755	931 958
Electricity	575 369	377 589
Uniforms	87 339	14 098
Tourism development	2 344	-
Events and social expenses	367 223	182 854
Sport and recreation expense	170 022	282 523
LED projects	259 562	195 800
IDP review	397 931	305 939
Equipment and tools	188 429	138 555
Traffic warden programme	1 073 147	802 450
Other expenses	20 500	170 000
	20 146 005	**14 405 629**

26. Auditors' remuneration

External audit fees	1 367 499	959 114
Internal audit fees	1 865 715	1 336 360
	3 233 214	**2 295 474**

27. Conditional grants (operational)

Financial Management Grant	2 519 884	1 626 440
Integrated National Electrification Programme Grant	7 019 812	5 530 525
Municipal Systems Improvement Grant	766 917	848 790
Expanded Public Works Programme Grant	1 010 765	843 025
Library Grant	485 309	422 446
	11 802 687	**9 271 226**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Cash generated from operations

	2016	2015
Surplus	10 068 724	13 721 781
Adjustments for:		
Depreciation and amortisation	4 212 891	2 989 173
Property, plant and equipment written off	361 132	106 829
Finance costs	507 801	492 989
Impairment loss	2 433 431	-
Impairment reversal - property, plant and equipment	-	(123)
Contribution to landfill site provision	436 955	402 724
Contribution to employee benefit cost provision	112 991	373 657
Other non-cash items	(999 241)	(5 247 564)
Changes in working capital:		
Receivables from exchange transactions	(1 581 671)	53 074
Receivables from non-exchange transactions	(407 452)	476 526
VAT receivable	(3 611 219)	96 972
Consumer debtors	(2 002 835)	(2 378 598)
Payables from exchange transactions	2 568 576	3 104 656
Payables from non-exchange transactions	26 120	210 415
	12 126 203	**14 402 511**

29. Commitments

Authorised capital expenditure

	2016	2015
Already contracted for but not provided for		
• Property, plant and equipment	7 730 069	5 354 751
Not yet contracted for but authorised by accounting officer		
• Property, plant and equipment	-	6 064 249
Total capital commitments		
Already contracted for but not provided for	7 730 069	5 354 751
Not yet contracted for but authorised by accounting officer	-	6 064 249
	7 730 069	**11 419 000**

The above capital expenditure will be financed from government grants.

Operating leases commitments - as lessee (expense)

	2016	2015
Minimum lease payments due		
- within one year	603 965	708 427
- in second to fifth year	530 928	-
	1 134 893	**708 427**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. The lease payments are recognised as an expense in the statement of financial performance over the lease term, on a straight line basis.

Figures in Rand	2016	2015

30. Contingencies

The following are the litigation claims against the municipality. The municipality's attorneys stated that it is probable that the municipality will be found liable:

Contingent liabilities		
Automated Office Technology	1 997 407	-
B254 Natal Joint Municipal Pension Fund (super annuation and other)	97 786	-
Nomathiliza Pro Acting Security (Pty) Ltd	24 500	-
B212 Advocate B.G. Buthelezi	8 990	-
	2 128 683	**-**

Automated Office Technology - Legal action was taken by Automated Office Technology against the municipality for defaulting on lease rentals for office equipment, and failure to return the office equipment at the end of the lease term. The matter has not been concluded at year-end.

Natal Joint Municipal Pension Fund (Superannuation) instituted a legal claim against the municipality in respect of the non-payment of adjusted contributions by local authorities in terms of regulation 1(xxi)(h) of the Superannuation Fund.

The municipality advised Nomathiliza Pro Acting that The Big 5 False Bay Municipality will be merging with Hlabisa Municipality after the Local Government Elections. Nomathiliza Pro Acting was further advised that after the merger, The Big 5 False Bay municipality will cease to exist as an entity and a new municipality will be formed. The contract between Nomathiliza and The Big 5 False Bay Municipality will accordingly be terminated. Nomathiliza Pro Acting then issued an interdict.

Advocate B.G. Buthelezi - Advocate B.G. Buthelezi attended an audit committee meeting, which was scheduled for the 22nd May 2015. As agreed with the municipal officials, he presented an invoice of R 12 000 for professional services rendered. He only received R 3 010 and no reasons were furnished as to why the full payment was not made. As a result, he suffered a financial loss in that he had to make telephone calls, and it was time consuming to make a follow-up on the outstanding payment.

31. Related parties

Relationships

Refer to notes 18 and 19 for members of key management.

Related party transactions

There were no related party transactions during the financial year.

32. Prior period errors

Adjustments to correct prior period errors were made due to the following reasons:

32.1 Long service awards - The council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service. The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016. Long-service awards obligation should have been initially provided for in previous years, hence the prior period error is disclosed and the retrospective adjustment is made. Refer to note 11 for analysis of opening balance.

32.2 Property, Plant & Equipment (i.e. land, buildings, furniture and fittings, motor vehicles, office equipment, IT equipment, infrastructure, and assets under construction) and intangible assets - Accumulated depreciation (and accumulated amortisation) were incorrectly calculated. One portion of Erf 667 and one portion of Erf 13366 were recorded on the valuation roll file, but were erroneously omitted from the fixed asset register. Some assets costs were incorrectly classified as repairs and maintenance. Refer to notes 2 and 3 for analysis of opening balances.

32. Prior period errors (continued)

32.3 Payables from exchange transactions - Three accounts within payables from exchange transactions were restated, namely: Retentions were increased by R987 116, Trade payables and Other creditors were decreased by R195 822 and R493 364, respectively. This resulted to the net adjustment of R297 930. Retentions were restated because some retentions were erroneously omitted in 2014/15 financial statements. This was corrected in 2015/16 financial year. The payment of R28 590 was made to the University of Zululand for Ms NL Khumalo. The municipality confirmed that it has sponsored the student and they acknowledged that they will pay the amount at the beginning of April 2011. The amount relates to lectures attended in the 2010/11 financial year and was acknowledged to be paid in that year by the municipality. It was then paid during 2015/16 financial year and the expenditure was raised in this current year. However, the expenditure and the corresponding payable should have been raised in 2010/11 financial year. This was included in Other creditors.

32.4 VAT receivable - VAT receivable was restated due to the effects of payables from exchange transactions as discussed in 32.3 above. Refer to note 6 for analysis of opening balance.

The correction of errors resulted in the the following adjustments:

Statement of financial position		
Land	-	7 622 700
Buildings	-	(28 827)
Furniture and fittings	-	1 354 030
Motor vehicles	-	412 797
Office equipment	-	187 454
IT equipment	-	(1 146 093)
Infrastructure	-	806 489
Assets under construction	-	914 232
Intangible assets	-	104 744
Payables from exchange transactions	-	297 930
VAT receivable	-	304 648
Long-service awards	-	373 657
Accumulated surplus	-	(11 203 761)
Accumulated surplus analysed as follows:	-	-
Total correction of error	-	11 203 761
Less: amount already included in 2015 restated accumulated surplus	-	(7 333 565)
= Correction of error per the statement of changes in net assets	-	3 870 196

33. Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the adjustment is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The effects of the amendments are as follows:

33. Comparative figures (continued)

Statement of financial position - extract

	Comparative figures as previously reported	Adjustment	Restated figures
Property, plant and equipment	116 100 919	10 122 781	126 223 700
Intangible assets	62 271	104 744	167 015
VAT receivable	487 884	304 648	792 532
Consumer debtors	10 575 638	1 129	10 576 767
Payables from exchange transactions	13 405 549	297 930	13 703 479
Provisions	5 140 649	373 657	5 514 306
Receivables from non-exchange transactions (traffic fines debtors)	6 761 289	(2 640 651)	4 120 638
Total	**152 534 199**	**8 564 238**	**161 098 437**

Statement of financial performance - extract

	Comparative figures as previously reported	Adjustment	Restated figures
Repairs and maintenance	1 890 131	(431 391)	1 458 740
Contracted services	1 019 041	1 125 476	2 144 517
Employee related costs	15 446 976	35 137	15 482 113
General expenses	14 807 195	(401 567)	14 405 628
Depreciation and amortisation	2 993 429	(3 231)	2 990 198
Finance cost	575 935	24 312	600 247
Debt impaiment	3 961 346	(1 152 237)	2 809 109
Other income	194 846	(123)	194 723
Conditional grants (operational)	10 189 369	(918 143)	9 271 226
Total	**51 078 268**	**(1 721 767)**	**49 356 501**

33.1 Property, plant and equipment and intangible assets - refer to 32.2 above.

33.2 VAT receivable - refer to 32.4 above.

33.3 Consumer debtors and receivables from non-exchange transactions (traffic fines) - Management decided to voluntarily change the basis of calculating the allowance for doubtful debts during the period. Refer to 1.3 and 1.7 of the accounting policies - allowance for doubtful debts.

33.4 Payables from exchange transactions - refer to 32.3 above.

33.5 Provisions - refer to 32.1 above.

33.6 Repairs and maintenance - Some assets costs were incorrectly classified as repairs and maintenance. Refer to 32.2 above.

33.7 Contracted services - Operating leases and specialists services have been reclassified from general expenses to contracted services. Also refer to 33.9 above.

33.8 Employee related costs - The adjustment is due to interest cost on long-service awards provision. Also refer to 32.1 above.

33.9 General expenses - Refer to 33.7 and 33.13 above.

33. Comparative figures (continued)

33.10 Depreciation and amortisation - Some accumulated depreciation and accumulated amortisation were incorrectly calculated in 2014/15. Refer to 32.2 above.

33.11 Finance cost - The adjustment is attributable to the interest cost movement in the defined benefit obligation with regard to the long service awards provision. This interest cost is part of the long-service awards correction of error disclosed in 32.1 above.

33.12 Debt impairment - Refer to note 4, 23 and 33.3above.

33.13 Conditional grants (operational) - The adjustment is due to a reclassification from conditional grants (operational) to general expenses.

34. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipal treasury) under policies approved by the accounting officer. Municipal treasury identifies and evaluates financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

Liquidity risk

Liquidity risk is a risk that the municipality maybe unable to cover its short-term financial demands.The municipality's risk to liquidity is as a result of non-recoverability of debtors. The municipality manages liquidity risk through an ongoing review of future commitments, debt collection and credit facilities.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

35. Going concern

The municipality is financially viable. Unspent conditional grants will be banked on a separate bank account as per the provision of Division Of Revenue Act. The municipality will make a provision for previous years unspent provisional grants in the adjustment budget.

36. Events after the reporting date

Non-adjusting events after the reporting date

The member of KwaZulu Natal Executive Council (MEC) responsible for Local Government promulgated Government Gazette No. 1594, Notice in terms of Section 14(5) of the Local Government: Municipal Structures Act, 1998, Transitional Measures to facilitate Integrated Development Planning, Approval of Budgets, Preparation of Financial Statements, Levying of Rates, and Acting Appointment in Municipalities affected by Redetermination of Boundaries in terms of Section 21 of the Local Goverment: Municipal Dermacation Act: 1998 (Act No. 27 of 1998), on 24 December 2015.

36. Events after the reporting date (continued)

In terms of this Notice, The Big 5 False Bay and Hlabisa Municipality have been disestablished, and a new municipality, Big 5 Hlabisa Municipality has been established, with effect from 09 August 2016.

Nature of effect of merger

The merger is accounted for in accordance with GRAP 107. The financial effect on The Big 5 False Bay Municipality is as follows:

1. Assets and liabilities will be derecognised at their carrying amounts on the date of the merger.

2. Any differences between the assets and liabilities derecognised and the consideration received, if any, is recognised in the accumulated surplus or deficit.

The financial effect on the merged entity i.e. Big 5 Hlabisa Municipality is as follows:

1. Assets and liabilities of Hlabisa Municipality and The Big 5 False Bay Municipality will be recognised at their carrying amounts on the date of the establishment of the new municipality.

2. Any difference between the assets and liabilities recognised and the consideration received, if any, is recognised in accumulated surplus or deficit of the new merged entity.

Adjusting events after the reporting date

Legal action was taken by Mchunu B.P. Incorporated against the municipality for defaulting on paying R158 200 conveyancers fees that was charged by the plantiff. The fees charged were for transferring 117 low-cost residential houses and for performing the deed search of 206 properties. The municipality lost the case and was found liable after 30 June 2016. The municipality settled the liability on 12 August 2016. The liability that was disclosed as a contingent liability was then recognised as a payable from exchange transaction in the statement of financial position.

37. Unauthorised expenditure

Opening balance	31 146	-
Unspent conditional grants not cash backed	2 667 108	31 146
Expenditure not budgeted for	160 256	-
	2 858 510	**31 146**

38. Fruitless and wasteful expenditure

Opening balance	15 728	993 983
Interest paid	202 069	106 951
Penalties paid	175 067	-
Canon	-	61 892
Written off by Council	-	(1 147 098)
	392 864	**15 728**

39. Irregular expenditure

Opening balance	9 812 142	542 293
Suppliers in the service of state	-	212 747
No 3 quotations obtained	146 348	1 370 379
No SCM processes followed	12 145 724	-
No tax clearance obtained	1 690 955	-
Overpayment of remuneration councillors	28 304	-
Overpayments to suppliers	5 835 292	-
Contracts not awarded to bidder with highest points	-	9 623 663
Written off by Council	-	(1 936 940)
	29 658 765	**9 812 142**

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	951 573	950 000
Current year subscription / fee	23 354	1 001 573
Amount paid - current year	(123 269)	(1 000 000)
	851 658	**951 573**

Medical aid contribution

Opening balance	58 777	-
Current year subscription / fee	1 300 284	3 108 056
Amount paid - current year	(1 264 226)	(3 049 279)
	94 835	**58 777**

Audit fees

Opening balance	461 047	-
Current year charge	1 706 909	1 892 757
Amount paid - current year	(2 167 531)	(1 431 710)
	425	**461 047**

PAYE and UIF

Opening balance	133 529	-
Current year charge	2 458 440	2 707 623
Amount paid - current year	(2 480 690)	(2 574 094)
	111 279	**133 529**

Pension contribution

Opening balance	532 948	-
Current year charge	3 030 945	7 603 432
Amount paid - current year	(3 208 711)	(7 070 484)
	355 182	**532 948**

41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Parkhome Removal (service needed urgently - successful bidder was JT Cabins)	30 210	-
Traffic Services Stationery (limited supplier - successful bidder was Lithotech Sales)	15 850	-
Transport (service needed urgently - successful bidder was Ekamlozi)	13 500	-
Donation tent (tent donation for creche needed urgently - successful bidder was IB Gabela)	6 000	-
Envelopes (sole trader was SA Post Office)	17 150	-
Transport hire (no specific reason provided - successful bidder was Siqomukuphila (Pty) Ltd)	4 000	-
IDP review (impracticable to follow normal procurement processes - successsful bidder was Siyayishaya Ingoma Association)	20 000	-
Bulk water (no specific reason provided - successful bodder was M.D. Dumisa)	9 000	-
Community event (impracticable to follow normal procurement processes - successful bidder was Sabelo B.S. General Trading)	6 500	-
Wiring and repairs (service needed urgently - successful bidder was Mgadla Construction)	6 500	-
Boreholes drilling (service needed urgently - successful bidder was Ubuntubesizwe)	65 000	-
Bulk water (water was needed urgently - successful bidder was Mkonge Cane Transport)	18 468	-
Parkhome Relocate (service needed urgently - successful bidder was JT Cabins)	30 210	-
Section 56 Books (service needed urgently - successful bidder was Lithotech)	18 069	-
Community event (transport service needed urgently - successful bidder was JIJIJI Transport)	7 000	-
IDP review (impracticable to follow normal procurement processes - successful bidder was Zero Khumalo Trading)	20 000	-
Poverty eliviation (service needed urgently - successful bidder was Amonge and Associates)	3 300	-
Community event (service needed urgently - successful bidder was Silvasands Farm CC)	30 780	-
Generator repairs (service needed urgently - successful bidder was NKL Building)	116 443	-
	437 980	**-**

42. Budget differences

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

Reasons for variances are as follows:

42.1 Revenue from exchange transactions

42.1.1 Service charges - Budget was overstated based on the assumption that there will be new properties that were expected to generate additional income.

42. Budget differences (continued)

42.1.2 Rental of facilities and equipment - Properties and equipment were under utilised, hence generated lower income than anticipated.

42.1.3 Interest received - Actual interest earned on outstanding debtors is disclosed under penalties imposed on property rates.

42.1.4 Other income - Insurance payout was received, so it is a norm that insured events are not budgeted for.

42.1.5 Interest on investments - More investments were made than anticipated, and positive balances were maintained.

42.2 Revenue from non-exchange transactions

42.2.1 Property rates - Supplementary valuation roll increased some property values during the year.

42.2.2 Property rates penalties - They were never budgeted for because they normally get written-off in order to encourage defaulting debtors to pay. The actual amount also includes interest earned on outstanding traffic fines debtors.

42.2.3 Government grants - The variance is due to the additional grant funding that was received towards the year-end, that was then recognised as the unspent conditional grants.

42.2.4 Fines - Speed camera did not operate for a long time during the year, hence less fines income was actually generated.

42.3 Expenditure

42.3.1 Employee related costs - Actual cost is lower than budget due to vacant posts.

42.3.2 Remuneration for councillors - There was a vacancy during by-elections process, hence there was a saving on remuneration of councillors.

42.3.3 Depreciation and impairment loss - The budgeted amount was exceeded due to the additional depreciation that was recognised as a result of the conditional assessment performed by the engineers. Impairment loss was never budgeted for and the actual amount is as a result of the conditional assessment.

42.3.4 Finance costs - The variance is due to SARS penalties and interest charged due to late payments of tax.

42.3.5 Debt impairment - Reason for variance is discussed in 33.3 above.

42.3.6 Contracted services - Integrated National Electrification Programme Grant was budgeted for under contracted services, however it was disclosed under transfers and subsidies when preparing financial statements.

42.3.7 Transfers and subsidies - Refer to 42.3.6 above.

42.3.8 General expenses - Actual security guard costs are disclosed under general expenses, however they were budgeted for under contracted services.

42.4 Current assets

42.4.1 Receivables from exchange transactions - The variance is due to old balances that were never budgeted for and the over-payment made to staff regarding acting allowances and bonuses.

42.4.2 Receivables from non-exchange transactions - Fines debtors budget was included in consumer debtors.

42.4.3 VAT receivable - The variance is due to the retentions VAT portion. Refer to 32.3 above.

42.4.4 Consumer debtors - Reason for variance is discussed in 33.3 above.

42.4.5 Cash and cash equivalents - The variance relates to unspent grants.

42. Budget differences (continued)

42.5 Non-current assets

42.5.1 Property, Plant and Equipment - Reason for variance is discussed in 32.2 above.

42.5.2 Intangible assets - Reason for variance is discussed in 32.2 above.

42.5.3 Receivables from exchange transactions: Staff allowances overpayment (staff debt) - The variance is due to the following: 1) Staff bonuses for certain employees were errouneously not apportioned to correctly reflect bonuses for employees whose service anniversary is less than 12 months. 2) Two employees who acted during 2015/16 financial year were erroneously paid the actual amount for the posts they were acting in instead of being paid an acting allowance.

42.6 Current liabilities

42.6.1 Payables from exchange transactions - Reason for variance is discussed in 32.3 above.

42.6.2 Payables from non-exchange transactions (taxes and transfers) - This was not budgeted for. The actual amount is due to hall hire made towards the year-end, hence hall hire deposits were withheld.

42.6.3 Unspent conditional grants - Additional funding was received towards the year-end, hence the unspent grant balance increased.

42.7 Non-current liabilities

42.7.1 Provisions - The budget did not take cater for provision for long service awards since it only got implemented for the first time during 2015/16 financial year.