Planning by	Reviewed	Performed by	Final review

Maphumulo Local Muncipality
Annual Financial Statements
for the year ended 30 June 2016

Maphumulo Local Muncipality

(Registration number KZN294)
Annual Financial Statements for the year ended 30 June 2016

General Information

Mayoral committee	
Mayor	Cllr. H.N Ngcobo
Councillors	Cllr. V.E Mbatha (ANC- Speaker)
	Cllr. M.P. Mbonambi (ANC Deputy Mayor)
	Cllr. N.P. Nxumalo (IFP- Exco Member)
	Cllr M.L. Ngidi (IFP- Exco Member)
	Cllr. E.V. Mhlongo (IFP Councillor)
	Cllr. N.S. Ndlovu (NFP- Councillor)
	Cllr. A.T. Xulu (NFP Councillor)
	Cllr D.J. Zubane (IFP Councillor)
	Cllr K.P. Ninela (IFP Councillor)
	Cllr. V.C. Nzama (ANC Councillor)
	Cllr. S. Nyathikazi (IFP - Councillor)
	Cllr. M. Gasela (ANC- Councillor)
	Cllr. B.. Luthuli (ANC - Councillor)
	Cllr B.J. Mtshali (ANC - Councillor)
	Cllr. M. Biyela (IFP Councillor)
	Cllr. Chili (ANC - Councillor) (01/07/2016- 11/02/2016) (Deasesed)
	Cllr S. Shange (ANC - Councillor)
	Cllr. J.L Shange (ANC - Councillor)
	Cllr. L. Zondi (ANC Councillor)
	Cllr. P. Ngcamu (ANC - Councillor)
	Cllr. K.P. Ninela (ANC - Councillor)
Grading of local authority	Two
Accounting Officer	E.S Mkhize(Acting) 01/07/2015 - 15/12/2015
	N.H Maphumulo (Acting) 22/12/2015 - To Date
Chief Finance Officer (CFO)	S.I Manqele (Acting) (01/07/15- 31/08/2015)
	V. Dube (Acting) 14/10/2015 - To Date
Registered office	MR 711, LOT 152 Maphumulo 4470
Business address	MR 711 LOT 152 Maphumulo 4470
Postal address	Private Bag X9205 Maphumulo 4470
Bankers	First National Bank 250255
Auditors	Auditor General (South Africa)

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

During the preparation of these financial statements prior period's errors were found (see note 35). The municipality has prior year pending cases which are stil pending in this financial year and a disclosure of the contigent liabilities is provided (See note 38). During this financial year former accounting officer won the case against the municipality, as a result municipality's raised a provision (see note 41).

The annual financial statements set out on page s 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

Accounting Officer
Mr. H.N Maphumulo (Acting Municipal Manager)

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	1 643 106	781 121
VAT receivable	3	3 995 927	3 172 124
Prepayments	4	696 176	656 157
Consumer debtors	5	11 817 470	11 083 326
Other Debtors	6	-	53 146
Cash and cash equivalents	7	22 796 580	15 682 942
		40 949 259	**31 428 816**
Non-Current Assets			
Investment property	8	12 046 772	12 585 182
Property, plant and equipment	9	178 635 277	161 792 762
Intangible assets	10	324 250	503 025
Long term loan receivables		-	75 590
		191 006 299	**174 956 559**
Total Assets		**231 955 558**	**206 385 375**
Liabilities			
Current Liabilities			
Long Term Loan	11	1 376 488	1 212 128
Finance lease obligation	12	6 137 009	5 827 742
Payables from exchange transactions	13	16 049 895	15 990 327
Unspent conditional grants and receipts	19	16 546 200	28 437 655
Provision	40	5 518 452	-
Other Liabilities		-	8 767
		45 628 044	**51 476 619**
Non-Current Liabilities			
Long Term Loan	11	2 404 596	3 776 177
Finance lease obligation	12	672 047	6 809 056
Provision	40	886 107	742 279
		3 962 750	**11 327 512**
Total Liabilities		**49 590 794**	**62 804 131**
Net Assets		**182 364 764**	**143 581 244**
Accumulated surplus		182 364 764	143 581 244

* See Note 34

Maphumulo Local Muncipality

(Registration number KZN294)
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	14	743 166	968 641
Interest charged on trade and other receivables	15	1 468 226	1 548 627
Other income	16	1 869 295	261 898
Interest received - investment	17	2 061 544	2 193 679
Total revenue from exchange transactions		**6 142 231**	**4 972 845**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	18	14 074 318	8 993 084
Transfer revenue			
Government grants & subsidies	19	115 389 853	93 176 250
Total revenue from non-exchange transactions		**129 464 171**	**102 169 334**
Total revenue	20	**135 606 402**	**107 142 179**
Expenditure			
Employee related costs	21	(25 439 037)	(24 086 062)
Remuneration of councillors	22	(6 326 432)	(5 671 985)
Auditor's Remuneration	23	(1 116 498)	(1 088 218)
Depreciation and amortisation	24	(10 852 296)	(9 262 497)
Impairment loss/ Reversal of impairments	42	(253 630)	-
Finance costs	25	(1 519 572)	(2 162 025)
Debt Impairment	41	(3 035 647)	(1 924 600)
Repairs and maintenance	26	(2 040 758)	(4 619 887)
Contracted services	43	(16 867 608)	(14 470 618)
General Expenses	27	(29 226 172)	(37 712 232)
Total expenditure		**(96 677 650)**	**(100 998 124)**
Operating surplus		**38 928 752**	**6 144 055**
Loss on disposal of assets		(145 234)	(2 000 040)
Surplus for the year		**38 783 518**	**4 144 015**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	138 991 030	138 991 030
Adjustments		
Prior year adjustments	446 200	446 200
Balance at 01 July 2014 as restated*	**139 437 230**	**139 437 230**
Changes in net assets		
Surplus for the year	4 144 014	4 144 014
Total changes	4 144 014	4 144 014
Opening balance as previously reported	143 585 272	143 585 272
Adjustments		
Prior year adjustments	(4 028)	(4 028)
Restated* Balance at 01 July 2015 as restated*	**143 581 244**	**143 581 244**
Changes in net assets		
Surplus for the year	38 783 520	38 783 520
Total changes	38 783 520	38 783 520
Balance at 30 June 2016	**182 364 764**	**182 364 764**

* See Note 34

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government & Others		119 193 455	101 111 173
Interest income		2 061 544	2 193 679
		121 254 999	103 304 852
Payments			
Employee costs and councillors remuneration		(31 765 469)	(27 585 219)
Suppliers		(46 564 836)	(60 071 351)
Finance costs		(1 519 572)	(2 288 943)
		(79 849 877)	(89 945 513)
Net cash flows from operating activities	28	**41 405 122**	**13 359 339**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(27 388 830)	(44 087 468)
Proceeds from sale of property, plant and equipment	9	12 340	806 962
Purchase of other intangible assets	10	-	(266 330)
Increase in other receivables		-	(53 146)
Increase of staff debtors		128 736	-
Net cash flows from investing activities		**(27 247 754)**	**(43 599 982)**
Cash flows from financing activities			
Increase/ (Decrease) of Long term liabilities		(1 207 222)	(1 520 955)
Movement in other liabilities		(8 767)	179 745
Increase/ (Decrease) in Finance lease liability		(5 827 741)	11 722 976
Net cash flows from financing activities		**(7 043 730)**	**10 839 235**
Net increase/(decrease) in cash and cash equivalents		**7 113 638**	**(19 401 408)**
Cash and cash equivalents at the beginning of the year		15 682 942	35 084 350
Cash and cash equivalents at the end of the year	7	**22 796 580**	**15 682 942**

* See Note 34

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	1 090 431	(167 430)	**923 001**	743 166	**(179 835)**	
Interest charged on trade and other receivables	349 961	1 978 132	**2 328 093**	1 468 226	**(859 867)**	A
Other income	222 500	644 864	**867 364**	1 869 295	**1 001 931**	B
Interest received - investment	1 500 000	460 673	**1 960 673**	2 061 544	**100 871**	
Total revenue from exchange transactions	**3 162 892**	**2 916 239**	**6 079 131**	**6 142 231**	**63 100**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11 667 420	4 504 850	**16 172 270**	14 074 318	**(2 097 952)**	
Transfer revenue						
Government grants & subsidies	107 655 000	4 521 000	**112 176 000**	115 389 853	**3 213 853**	
Total revenue from non-exchange transactions	**119 322 420**	**9 025 850**	**128 348 270**	**129 464 171**	**1 115 901**	
Total revenue	**122 485 312**	**11 942 089**	**134 427 401**	**135 606 402**	**1 179 001**	
Expenditure						
Personnel	(29 491 378)	3 577 136	**(25 914 242)**	(25 439 037)	**475 205**	
Remuneration of councillors	(5 746 072)	(772 745)	**(6 518 817)**	(6 326 432)	**192 385**	
Administration	(1 627 500)	427 500	**(1 200 000)**	(1 116 498)	**83 502**	
Depreciation and amortisation	(12 113 138)	(1 039 013)	**(13 152 151)**	(10 852 296)	**2 299 855**	
Impairment loss/ Reversal of impairments	-	-	**-**	(253 630)	**(253 630)**	C
Finance costs	(3 058 000)	1 550 851	**(1 507 149)**	(1 519 572)	**(12 423)**	
Bad debts written off	(4 500 000)	3 000 000	**(1 500 000)**	(3 035 647)	**(1 535 647)**	D
Repairs and maintenance	(4 386 000)	2 389 100	**(1 996 900)**	(2 040 758)	**(43 858)**	
Contracted Services	-	-	**-**	(16 867 608)	**(16 867 608)**	
Grant funded expenditure	(11 733 000)	-	**(11 733 000)**	-	**11 733 000**	
General Expenses	(37 232 600)	5 056 715	**(32 175 885)**	(29 226 171)	**2 949 714**	E
Total expenditure	**(109 887 688)**	**14 189 544**	**(95 698 144)**	**(96 677 649)**	**(979 505)**	
Operating surplus	**12 597 624**	**26 131 633**	**38 729 257**	**38 928 753**	**199 496**	
Loss on disposal of assets and liabilities	-	-	**-**	(145 234)	**(145 234)**	F
Surplus before taxation	**12 597 624**	**26 131 633**	**38 729 257**	**38 783 519**	**54 262**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**12 597 624**	**26 131 633**	**38 729 257**	**38 783 519**	**54 262**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

A - The variance is due to the fact that, Interest on outstanding debtors was budgeted using the 17.7% that was interest charged on outstanding debtors per month. During the audit we fund that the interest was supposed to be 10.2% and we adjust the interst accordingly .
B- Variance is due to the clearing of the preveous year balances as the municipality is going to start mSCOA next year.
C- The variance is due to the test of assets impairement during the financial year which was not budgeted duriing the budgeting state.
D- This variance is due to the increase in bad debts provision due to the default in collection of payments.
E- This variance is due to the spliting of grants funded expenditure INEP, FMG, Electrification grant COGTA and other grants amongs general expenses which amount to R12 572 734.
F- The variance is due to the fact that at budgeting stage they was no intention to sell assets during this financial year, but unfortunatly some of municipal assets damaged during the year and municipality had to sell those assets.

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.

Assets, liabilities, revenues and expenses were not offest, except where offsetting is either required or permitted by a Standard of GRAP.

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

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. This basis presumes that funds would be available to finance future operation, the realisation of assets and settlement of liabilities, Contigent Obligations and commitments would occur in the ordinary course of business.

The municipality is in a negative liquidity position in the current period. The current liabilities are R45 628 044 and our cash balance is at R22 796 580.

The municipality's current liabilities are not secured against the municiapl current assets as it can be seen that current liabilities are greater than current assets and they is a deficit of R4 678 758 (R45 628 044 current liabilities less R40 949 259 current assets). This deficit has decreased by R16 000 000 from the previous year. Included in the current liabiliies are unspent conditional grants of R16 546 200 and management is has submitted applications for utilising these funds on other projects to the funders (i.e. KZN COGTA). We believe that these applications would be succesful and we would be able to settle the liability when the grant condition is met. Current Assets include of VAT receivables of R3 995 927 which would be received from SARS during next financial year, Consumer debtors include Government debtors of R7 632 160 which there is no doubt that amount would be receive during next financial year.

Therefore the summary of the net position based on certain amounts to be received and actual cash in the bank amounts to R34 424 667 and current liabilities are R45 628 044.

Municipality will continue to operate in the foreseeable future and intends to accomplish this by implementing austerity measures as per circular No: 82 which were adopted by council in order to strengthen internal controls over financial management.

1.3 Significant judgements and sources of estimation 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. Uses 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 / Held to maturity investments and/or loans and receivables

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

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

Provisions

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

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertanities surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items,the obligation is estimated by weighing all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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

A provision is used only for expenditures for which the provision was originally recognised
.
Provisions are not recognised for future operating deficits

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38

.

Accounting Policies

1.4 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations:
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time

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

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

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

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

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

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

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

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

Useful life is either:
(a)the period of time over which an asset is expected to be used by the municipality; or
(b)the number of production or similar units expected to be obtained from the asset by the municipality
.
Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Item	Depreciation method	Average useful life
Land	Straight line	10-30 years
Plant and machinery	Straight line	10 - 55 years
Furniture and fixtures	Straight line	10-15 years
Motor vehicles	Straight line	5-15 years
Office equipment	Straight line	5-10 years
Computer software	Straight line	3-7 year
Infrastructure	Straight line	10-50 years

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Trade & Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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.

Accounting Policies

1.7 Intangible assets (continued)

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

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.

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

Computer software, internally generated	5 years

1.8 Financial instruments

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

Accounting Policies

1.8 Investments in associates (continued)

Classification

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

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost

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

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

1.8 Investments in associates (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

1.8 Investments in associates (continued)

Presentation

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

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

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

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

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Employee benefits

Short-term employee benefits

Accounting Policies

1.10 Employee benefits (continued)

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. Short term employee benefits are recognised in the Statement of Financial Performance.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

Pension, Provident, Retirement Benefits and Group Life Scheme

The municipality provides retirement benefits for its employees in the form of both defined benefit and defined contribution plans. The municipality is no longer providing retirement benefits for the Councillors as they are now getting a total cost to company package.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. A defined contribution plan is a plan under which the municipality pays a fixed contribution into a separate entity. The municipality has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

The contributions to fund obligations for the payment of retirement benefits are charged against the revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognized as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

The defined benefit obligation, the related current cost and where applicable, past-service, is determine by using the projected unit credit method. A portion of the actuarial gains and losses is recognized as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previopus reporting period exceed greater of.

10% of the present value of the defined benefit obligation at that date before deducting plan assets; and
10% of the fair value of the plan assets.

The portion of the actuarial gains and losses to be recognized is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of the employees participating in the plan. Unvested past-service costs are recognized as an expense in the Statement of Financial Performance.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

Accounting Policies

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods (Rental space and Tender documents)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services
when the outcome of transation involving the rendering of a service can be estimated reliably, revenue associated with the transation is recognised by reference to the stage of completion of the transation at the reporting date. The outcome of the transation can be estimated reliably when all the following condition are satisfied :

The amount of revenue can be measured reliable

It is probable tha the economic benefit or service potential associated with transation will flow to the municipality

The stage of completion of the transation at the reporting date can be measures reliable; and

The cost incured for the transation and the cost to complete the transation can be measured reliably.

When the service are perfomed by indeterminate number of acts over a specific time fram, revenue is recognised on a straightline bases over the specific time frame unless they is evidence that some other methods better represent the stage of completion. when the specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. when the outcome of transation involving the rendering of services can not be estimated reliable, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.12 Revenue from non-exchange transactions

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

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

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

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

1.12 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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.

Accounting Policies

1.13 Borrowing costs

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

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

Unauthorised expenditure
- 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 divisions.

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

Accounting Policies

1.17 Irregular expenditure (continued)

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

1.18 Conditional grants and receipts

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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Budget information

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

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

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

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

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

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

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 14 & 15.

Comparative information is not required.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.20 Related parties

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

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

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

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

1.21 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.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

2. Receivables from exchange transactions

Trade debtors - Rentals	1 262 709	1 127 667
Rental Debtors Straight Line	316 749	316 749
Sundry Debtors	1 172 998	140 500
Other Debtors (PAYE Control)	72 109	35 918
Employee costs in advance	-	10 142
Provision for doubtful debts	(1 181 459)	(849 855)
	1 643 106	**781 121**

Trade and other receivables past due but not impaired

Trade and other receivables less than 5 months past due are not considered to be impaired. Only trade debtors (rentals) which are from 5 to 6 months past due are considered to be impaired and renatal debtors which are less than 5 months past due are not considered to be impaired. Rental debtors past due but not impaired as at 30 June 2016, R81 250 - (2015: R 277 812) (these amounts is made of the diferent between rental debtos and the provision for doubtful debts).

The ageing of amounts past due but not impaired is as follows:

Current	24 375	118 532
1month past due	16 050	47 929
2 months past due	12 038	30 312
3 months past due	10 199	42 312
4 months past due	18 688	38 727
	81 250	277 812

Trade and other receivables impaired

As of 30 June 2016, trade and other receivables of R 1 183 876 - (2015: R 1 127 667) were impaired and provided for.

The amount of the provision was R1 181 459 - as of 30 June 2016 (2015: R849 855)

The ageing of these provisions is as follows:

5 to 6 months	17 649	34 868
Over 6 months	1 163 811	814 987
	1 181 459	849 855

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(849 855)	(632 168)
Provision for impairment	(331 604)	(217 687)
	(1 181 459)	**(849 855)**

No receivables have been pledged as security.

3. VAT receivable

VAT	3 995 927	3 172 124

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Prepayments

SALGA Membership Fees for 2015/16	475 000	475 000
AON Building Insurance Policy	221 176	181 157
	696 176	**656 157**

5. Trade and Other Receivables from non-exchange transactions

Gross balances		
Rates	19 279 012	15 840 826
Less: Allowance for impairment		
Rates	(7 461 542)	(4 757 500)
Net balance		
Rates	11 817 470	11 083 326

Trade and Other Receivables past due but not impaired

Consumer Debtors are divided into three groups of debtors which are Government debtors, Commercial debtors and other debtors (Ingonyama Trust). Only the Commercial debtors which are from 4 to 6 months past due are considered to be impaired and commercial debtors wich are less than 3 months past due are not considerd to be impaired. At 30 June 2016, R11 817 470 - (2015: R 11 083 326) were past due but not impaired	-	-
	-	-
	-	-
Balance of Consumer Debtors Past due but not impaired	-	-
Commercial Debtors	640 069	580 000
Government Debtors	7 632 160	6 577 962
Other Debtors	3 545 241	3 925 364
	11 817 470	**11 083 326**

Trade and Other Receivable past due but not impaired

Current (0 -30 days)	489 065	919 316
31 - 60 days	512 533	925 725
61 - 90 days	506 337	774 654
91 - 120 days	521 278	714 454
121 - 365 days	9 788 257	7 749 177
	11 817 470	**11 083 326**

Commercial Debtors

Current (0 -30 days)	161 389	150 395
31 - 60 days	159 718	130 158
61 - 90 days	156 855	130 256
91 - 120 days	162 107	169 191
	640 069	**580 000**

Figures in Rand	2016	2015

5. Trade and Other Receivables from non-exchange transactions (continued)

Government Debtors		
Current (0 -30 days)	276 808	268 978
31 - 60 days	281 829	278 952
61 - 90 days	278 890	268 520
91 - 120 days	288 959	275 600
121 - 365 days	6 505 674	5 485 912
	7 632 160	**6 577 962**

Other Debtors(Ingonyama Trust)		
Current (0 -30 days)	71 354	63 586
31 - 60 days	70 986	62 584
61 - 90 days	70 592	61 525
91 - 120 days	69 818	59 004
121 - 365 days	2 790 367	3 678 665
	3 073 117	**3 925 364**

The ageing of the provision is as follows		
91 - 120 days	163 237	130 546
121 - 365 days	154 521	125 632
> 365 days	7 143 784	4 501 322
	7 461 542	**4 757 500**

Reconciliation of allowance for impairment		
Opening balance	(4 757 500)	(3 050 547)
Provision for impairment	(2 704 042)	(1 706 953)
	(7 461 542)	**(4 757 500)**

6. Other debtors

LG SETA	-	53 146

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 075	10
Bank balances	2 122 142	1 559 840
Short-term Investments	20 671 363	14 123 092
	22 796 580	**15 682 942**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2016	Bank statement balances 30 June 2015	Cash book balances 30 June 2016	Cash book balances 30 June 2015
FNB -Main -62023868998	1 761 758	710 019	1 732 801	699 468
FNB -Investment Account - 710044342667	381 689	359 864	381 689	359 864
FNB BANK - Investment Account - 74105603986	2 071 980	1 951 829	2 071 980	1 951 829
FNB - Investment Account 62346755301	21 029	177 337	21 029	177 337
ABSA - BANK Current - 4056102866	389 341	860 372	389 341	860 372
ABSA Bank -Call Account - 9159847532	74 969	71 094	74 969	71 094
Standard Bank 30 Days Account -268693404	6 190 920	10 000 000	6 190 920	10 000 000
NEDBANK -Investment Account - 4053523279	61 778	58 677	61 778	58 677
NEDBANK - Investment Account - 309554919995	764 311	716 980	764 311	716 980
NEDBANK- Investment Account - 398012179996	485 054	456 534	485 054	456 534
ABSA- BANK- Investment Account - 9293238154	351 231	330 776	351 231	330 776
FNB BANK - Invetsment Avccount -74575685027	10 268 324	-	10 268 324	-
FBN - BABK - Invetsment Account - 62575688513	78	-	78	-
Total	**22 822 462**	**15 693 482**	**22 793 505**	**15 682 931**

8. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	16 114 609	(4 067 837)	12 046 772	16 114 609	(3 529 427)	12 585 182

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	12 585 182	(538 410)	12 046 772

Reconciliation of investment property - 2015

	0	Depreciation	Total
Investment property	13 123 593	(538 411)	12 585 182

Fair value of investment properties	12 400 000	12 400 000

Fair Value measurements

The investment Property was values on the 30th of June 2016 and the inspection of property was undertaken in May 2016, this valuation has been undertaken in accordance with Internation Valuation Standards by BPG Mass Appraisals (Pty) Ltd. The Property legal description is Erf 358 and 359 Maphumul ERF 1 Township which is 5 733 meter squere. The market value of property is R12 400 000 (R200 000 land value and R12 200 000 building value).

Income Generated from investment property	R756 545
Total expenditure incured relates to Investment property	R 28 120
Profit for the Year	**R 728 425**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

9. 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 & Buildings	55 241 922	(7 269 680)	47 972 242	42 087 478	(5 830 098)	36 257 380
Plant and machinery	20 998 724	(3 374 316)	17 624 408	20 998 724	(1 985 925)	19 012 799
Furniture and fixtures	4 674 532	(2 061 634)	2 612 898	4 357 017	(1 667 002)	2 690 015
Motor vehicles	1 997 680	(1 634 945)	362 735	2 328 348	(1 576 500)	751 848
Office equipment	2 582 983	(1 171 450)	1 411 533	2 432 542	(819 743)	1 612 799
IT equipment	1 019 903	(408 163)	611 740	1 232 525	(531 916)	700 609
Infrastructure	91 107 282	(26 369 751)	64 737 531	74 381 833	(20 520 957)	53 860 876
Capital work in progress	43 302 190	-	43 302 190	46 906 436	-	46 906 436
Total	**220 925 216**	**(42 289 939)**	**178 635 277**	**194 724 903**	**(32 932 141)**	**161 792 762**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land & Buildings	36 257 381	138 400	-	13 383 073	-	(1 552 982)	(253 629)	47 972 243
Plant and machinery	19 012 799	-	-	-	-	(1 388 391)	-	17 624 408
Furniture and fixtures	2 690 014	388 524	-	-	-	(465 640)	-	2 612 898
Motor vehicles	751 848	-	(96 026)	-	-	(293 087)	-	362 735
Office equipment	1 612 799	225 479	(54 152)	-	-	(372 592)	-	1 411 534
IT equipment	700 609	132 151	(7 396)	-	-	(213 624)	-	611 740
Infrastructure	53 860 876	-	-	16 725 449	-	(5 848 794)	-	64 737 531
Capital Work in Progress	46 906 436	26 504 276	-	-	(30 108 522)	-	-	43 302 190
	161 792 762	**27 388 830**	**(157 574)**	**30 108 522**	**(30 108 522)**	**(10 135 110)**	**(253 629)**	**178 635 279**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Buildings	30 496 227	385 193	-	6 773 844	(1 397 883)	36 257 381
Plant and machinery	4 130 918	18 967 715	(2 684 937)	-	(1 400 897)	19 012 799
Furniture and fixtures	2 112 797	1 013 884	(36 763)	-	(399 904)	2 690 014
Motor vehicles	1 162 247	-	(57 451)	-	(352 948)	751 848
Office equipment	1 229 640	706 131	(20 868)	-	(302 104)	1 612 799
IT equipment	504 696	395 297	(6 983)	-	(192 401)	700 609
Infrastructure	43 699 180	198 062	-	14 480 563	(4 516 929)	53 860 876
Capital work in progress	45 739 657	22 421 186	-	(21 254 407)	-	46 906 436
	129 075 362	**44 087 468**	**(2 807 002)**	**-**	**(8 563 066)**	**161 792 762**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

9. Property, plant and equipment (continued)

Pledged as security

There were no assets pledged as security for the year ended 30 June 2016.

Assets subject to finance lease (Net carrying amount)

Motor vehicles	113 984	751 848
Plant and machinery	12 920 267	13 914 133

An assessment of the useful lives of property plant and equipment was conducted in the current reporting period. 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.

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 187 072	(862 822)	324 250	1 187 072	(684 047)	503 025

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	503 025	(178 775)	324 250

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	397 715	266 330	(161 020)	503 025

11. Long Term Borrowings

	2016	2015
Designated at fair value		
Bank loan - FNB The bank loan was advanced by First National Bank for a period of 10 years commencing on 12 December 2008. An installment of R449 583.17 is payable quarterly in arrears.	3 781 084	4 988 305
Non-current liabilities		
Designated at fair value	2 404 596	3 776 177
Current liabilities		
Designated at fair value	1 376 488	1 212 128

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Finance lease obligation

Minimum lease payments due		
- within one year	6 514 121	5 835 521
- in second to fifth year inclusive	678 817	6 124 827
	7 192 938	11 960 348
less: future finance charges	(383 882)	(1 313 069)
Present value of minimum lease payments	**6 809 056**	**10 647 279**
Present value of minimum lease payments due		
- within one year	6 064 043	4 923 406
- in second to fifth year inclusive	754 571	6 425 250
	6 818 614	**11 348 656**
Non-current liabilities	672 047	6 809 056
Current liabilities	6 137 009	5 827 742
	6 809 056	**12 636 798**

FInance leases are comprised of the following

- Plant and machinery acquired under a finance lease agreement from ABSA bank at a total cost of R16 845 120.00 for a period of 36months. The lease acquisition dates for the equipment individually range from 01 June 2014 to 31 August 2014.
- 11 motor vehicles acquired under a finance lease agreement from Wesbank at a total cost of R2 761 905.71 for a period of 60 months. The lease acquisition dates for the vehicles individually range from August 2010 to July 2016.

13. Payables from exchange transactions

Retention and Garantees	10 962 524	10 574 480
Trade payables	2 109 784	1 524 547
Accrued Bonuses	746 240	621 889
Accrued leave pay	1 859 497	2 674 556
Accrued Payroll Costs	368 506	448 088
Deposits received	-	14 809
Rental Deposit	-	109 486
Indemnity	3 325	425
Other payables	19	7 937
Payments received in advanced - contract in process	-	14 110
	16 049 895	**15 990 327**

14. Rental of facilities and equipment

Hall hire	19 326	22 758
Rental	723 840	945 883
	743 166	968 641

15. Interest charged on trade and other receivables

Interest on Consumer Debtors	1 381 999	1 449 101
Interest on Rental Debtors	86 227	99 526
	1 468 226	1 548 627

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Other income

Administration fees & Commissions	5 141	1 319
Sundry income	1 618 841	130 833
Tender document sales	245 314	129 746
	1 869 296	**261 898**

17. Investment revenue

Interest revenue		
Other financial assets	443 881	1 724 134
Bank	1 617 664	469 545
	2 061 545	**2 193 679**

18. Property rates

Rates received

State	23 898 259	17 156 991
Less: Income forgone	(9 823 940)	(8 163 907)
	14 074 319	**8 993 084**

Property rates levied in terms of the Local Governments : Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. Randage applicable to all properties equal to 0.05 as approved by the council. Rebates amount to 30% for all categories except for Ingonyama Trust Board which receives a 50% rebate. The current valuation roll was implemented on 1 July 2014.

The summary of valuation property ia as follows :

	No of Property	**Market Value**
Residential	63	21 052 000
Commercial	31	37 234 000
Industrial	01	800 00
Agricultural	03	370 000
Agricultural (Rural Communal)	27	108 602 000
Institutional	134	252 140 000
Specialized Property	16	53 080 000
Public Service Infrastruture	01	720 000
Municipal Property	317	31 707 000
	593	**505 705 000**

Figures in Rand	2016	2015

19. Government grants and subsidies

Operating grants		
Equitable share	74 233 292	61 271 331
Electrification CoGTA	1 218 518	1 781 482
Municipal System Improvement Grant (MSIG)	930 000	933 999
Housing Sector Plan	2 543	163 934
Finance Management Grant (FMG)	1 748 000	1 800 000
Sports Grant	1 622 672	2 465 365
Small Town Rehabilitation Grant	-	119 250
National Lottery Grant	-	500 000
Corridor Development Grant	-	1 506 793
LGSETA Grant	113 400	216 600
Feasibility Study	39 261	-
Expanded Public Works Program (EPWP)	1 003 000	2 000 000
Kwashushu Hot Spring	190 476	-
MAP Projects Consolidated	46 551	-
Infrastructure Investment Plan	14 622	-
Urban Design Framework	17 193	-
	81 179 528	72 758 754
Capital grants		
Integrated National Electrification Program (INEP)	8 000 000	3 868 821
Municipal Infrastructure Grant (MIG)	26 210 325	16 548 675
	34 210 325	20 417 496
	115 389 853	**93 176 250**

Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of :

Conditional grants received	-	-
Corridor Development	7 493 207	7 493 207
Electrification Grant - CoGTA	-	1 218 518
Feasibility Study	-	39 261
Housing Sector Plan	-	2 543
Infrastructure Investment Plan	-	14 622
Intregrated National Electrification Program (INEP)	-	4 270 292
Kwashushu Hotsprings	-	190 476
MAP Project Consolidated	-	46 551
Municipal Infrastructure Grant (MIG)	-	4 521 325
Small Town Rehabilitation Grant	8 693 734	8 693 734
Sport Grant	207 259	1 829 931
Titanium Mining	100 000	100 000
Financial Management Grant	52 000	-
Urban Design Framework	-	17 193
	16 546 200	**28 437 653**

Municipal Systems Improvment Grant (MSIG)

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

Housing Sector Plan

Balance unspent at beginning of year	2 543	2 543

Figures in Rand	2016	2015
19. Government grants and subsidies (continued)		
Current-year receipts	-	163 934
Conditions met - transferred to revenue	(2 543)	(163 934)
	-	**2 543**

Sports Grant

Balance unspent at beginning of year	1 829 931	1 850 627
Current-year receipts	-	2 625 000
Conditions met - transferred to revenue	(1 622 672)	(2 645 696)
	207 259	**1 829 931**

Small Town Rehabilitation Grant

Balance unspent at beginning of year	8 693 734	4 112 984
Current-year receipts	-	4 700 000
Conditions met - transferred to revenue	-	(119 250)
	8 693 734	**8 693 734**

Lotto Grant

Balance unspent at beginning of year	-	500 000
Conditions met - transferred to revenue	-	(500 000)
	-	**-**

Corridor Development Grant

Balance unspent at beginning of year	7 493 207	9 000 000
Conditions met - transferred to revenue	-	(1 506 793)
	7 493 207	**7 493 207**

LGSETA Grant

Balance unspent at beginning of year	-	97 800
Current-year receipts	-	118 800
Conditions met - transferred to revenue	113 400	(216 600)
Other	(113 400)	-
	-	**-**

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	1 000 000
Current-year receipts	1 003 000	1 000 000
Conditions met - transferred to revenue	(1 003 000)	(2 000 000)
	-	**-**

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 521 325	-
Current-year receipts	21 689 000	21 070 000
Conditions met - transferred to revenue	(26 210 325)	(16 548 675)
	-	**4 521 325**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Government grants and subsidies (continued)

Feasibility Study

Balance unspent at beginning of year	39 261	39 261
Conditions met - transferred to revenue	(39 261)	-
	-	**39 261**

Titanium Mining

Balance unspent at beginning of year	100 000	100 000

Urban Design Framework

Balance unspent at beginning of year	17 193	17 193
Other	(17 193)	-
	-	**17 193**

Kwashushu Hotsprings

Balance unspent at beginning of year	190 476	190 476
Other	(190 476)	-
	-	**190 476**

Infrastructure Investment Plan

Balance unspent at beginning of year	14 622	14 622
Conditions met - transferred to revenue	(14 622)	-
	-	**14 622**

Integrated National Electrification Program (INEP)

Balance unspent at beginning of year	4 270 292	8 139 113
Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(8 000 000)	(3 868 821)
Repayment of 2014-15 Unspent Grants	(4 270 292)	-
	-	**4 270 292**

MAP Project Consolidated

Balance unspent at beginning of year	46 551	46 551
Conditions met - transferred to revenue	(46 551)	-
	-	**46 551**

Electrification - CoGTA

Balance unspent at beginning of year	1 218 518	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(1 218 518)	(1 781 482)
	-	**1 218 518**

Financial Management Grant (FMG)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	1
Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 748 000)	(1 800 001)
	52 000	**-**

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

20. Revenue

Rental of facilities and equipment	743 166	968 641
Interest charged on trade and other receivables	1 468 226	1 548 627
Other income	1 869 295	261 898
Interest received - investment	2 061 544	2 193 679
Property rates	14 074 318	8 993 084
Government grants & subsidies	115 389 853	93 176 250
	135 606 402	**107 142 179**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	743 166	968 641
Interest charged on trade and other receivables	1 468 226	1 548 627
Other income	1 869 295	261 898
Interest received - investment	2 061 544	2 193 679
	6 142 231	**4 972 845**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	14 074 318	8 993 084
Transfer revenue		
Government grants & subsidies	115 389 853	93 176 250
	129 464 171	**102 169 334**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Employee related costs

Basic	20 112 306	17 687 891
Bonus	124 351	621 889
Medical aid - company contributions	1 019 527	898 286
UIF	134 719	123 311
SDL	221 512	202 443
Defined contribution plans	2 130 295	1 926 443
Long-service awards	207 751	176 474
Car allowance	1 080 501	1 164 929
Housing benefits and allowances	188 400	57 228
Cellphone Allowance	24 427	30 805
Group Life Assurance	-	6 880
Leave Accrued pay	186 435	1 180 918
Membership Fees	8 813	8 563
	25 439 037	**24 086 060**

Remuneration of municipal manager

Annual Remuneration	541 684	784 140
Car Allowance	116 377	168 266
Performance Bonuses	-	63 866
Contributions to UIF, Medical and Pension Funds	892	10 432
SDL and council Levies	6 391	-
	665 344	**1 026 704**

Prior year figure relate to B. Ngubane's acting allowances from 1 July 2014 to 20 October 2014 and E.S. Mkhize's package from his appointment as acting municipal manager on 21 October to 30 June 2015. Current year amounts included the Acting allowance for ES Mkhize from 01 July to 20 December 2015. From 22 December 2015 to 30 June 2016, Mr NH Maphumulo was acting as Municipal Manager with out being paid any allowance.

Remuneration of chief finance officer

Annual Remuneration - Acting	89 525	751 708
Car Allowance	-	262 179
Performance Bonuses	-	48 551
Contributions to UIF, Medical and Pension Funds	-	141 718
	89 525	**1 024 156**

Mr.B.R Ngubane was appointed acting municipal manager on 1 July 2013. Prior year remuneration above relates to Mr BR Ngubane as a CFO from July 2014 - March 2015. Acting allowance relate to acting allowance paid to Mr. G.S Majola and Mr. S.I Manqele .Current year remuneration relates to the acting allowance of Mr. SI Manqele for the period of 01 July 2015 to 31 August 2015 and Mr. V. Dube for the period 15 October to 30 June 2016

Remuneration of executive directors- EDP

Annual Remuneration	607 826	-
Car Allowance	193 656	-
Cellphone	570	-
SDL and councilLevies	8 084	-

The remunaration package included in the current year is for Mr WD Mbongwa who joined the municiaplity in July 2015

Remuneration of executive directors- Techncal and Housing

Annual Remuneration	607 826	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Employee related costs (continued)

Car Allowance	193 656	-
Cellphone Allowance	570	-
SDL and Council Levies	8 084	-
	810 136	**-**

The remuneration package included in the current year is for Mr SA Thwala who joined the municipaliy in July 2015.

Corporate and human resources (corporate services)

Annual Remuneration	201 137	751 708
Car Allowance	49 377	197 508
Contributions to UIF, Medical and Pension Funds	28 111	109 768
SDL and Council levies	8 096	-
Arbitration	375 854	-
	662 575	**1 058 984**

Prior year remunaration related to Adv JI Mhlongo. Current year amount is for the salary of Adv JI Mhlongo for the period of July 2015 to september 2015, Mr DW Mbongwa acted for the period of October 2015 to March 2016 with no acting allowance paid to him since he is in the same level as the director EDP. And the acting allowance relating to Ms T Sithole for the period of April to June 2016

22. Remuneration of councillors

Mayor	568 509	504 573
Deputy Mayor	251 330	222 012
Mayoral Committee Members	471 252	416 273
Speaker	251 330	222 012
Councillors	4 114 926	3 724 313
Skills Development Levy	53 419	17 246
Cellphone Allowance	104 340	110 600
Travel Allowance	514 139	471 252
	6 329 245	**5 688 281**

23. Auditors' remuneration

Auditors' remuneration	1 116 498	1 088 218

24. Depreciation and amortisation

Property, plant and equipment	10 135 111	8 563 065
Investment property	538 411	538 411
Intangible assets	178 775	161 021
	10 852 297	**9 262 497**

25. Finance costs

Other interest paid	1 519 572	2 162 025

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Repairs and Maintenance

Sport Field	-	25 755
Vehicles	1 427 464	922 475
Roads	-	207 700
Furniture and Equipment	80 647	38 020
Computer Equipment	2 209	5 998
Buildings	530 439	3 419 938
	2 040 758	4 619 887

27. General expenses

Advertising	291 082	395 710
Audit Committee	485 152	762 122
Bank charges	38 472	41 405
Billing charges	105 275	73 109
Electrification	10 441 506	8 046 633
Community development and training	4 767 845	4 850 394
Conferences and seminars	109 315	948 929
Consumables	-	3 420
Disaster Management Plan Review	-	203 060
Electricity	1 039 172	794 778
Entertainment	157 773	806 645
Interest and penalties	27 610	130 946
Free Basic Services	192 708	272 513
Fuel and oil	1 344 017	833 265
Hire Charges	848 668	2 204 776
IDP Review	889 084	1 334 489
Insurance	291 072	240 962
LED Projects	22 350	394 483
Licences	829 674	320 010
Magazines, books and periodicals	-	1 345
Medical expenses	2 353	13 413
Other expenses	2 329 370	1 963 703
Postage and courier	962	2 956
Printing and stationery	162 322	365 403
Promotions and sponsorships	-	3 750
Staff welfare	-	172 000
Subscriptions and membership fees	482 097	7 222
Telephone and fax	775 120	1 204 592
Tourism development	826 977	649 089
Training	558 177	2 911 080
Travel - local	1 699 171	7 263 791
Uniforms	362 122	255 304
Valuation Roll	146 729	240 934
	29 226 175	**37 712 231**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Cash generated from operations

Surplus	38 783 520	4 148 042
Adjustments for:		
Depreciation and amortisation	10 852 296	9 262 497
Loss on sale of assets and liabilities	145 234	2 000 040
Impairment deficit	253 630	-
Debt impairment	3 035 647	1 924 600
Movements in provisions	5 662 280	-
Changes in working capital:		
Receivables from exchange transactions	(861 984)	(258 427)
Consumer debtors	(3 769 790)	(6 018 690)
Prepayments	(40 019)	(656 157)
Payables from exchange transactions	59 565	1 786 087
VAT	(823 803)	(2 155 137)
Unspent conditional grants and receipts	(11 891 454)	3 326 484
	41 405 122	**13 359 339**

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	26 400 412	48 268 594
• Electrification	8 634 442	-
• Intangible assets	-	105 680
	35 034 854	**48 374 274**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	14 881 313	9 834 037

Total capital commitments		
Already contracted for but not provided for	35 034 854	48 374 274
Not yet contracted for and authorised by accounting officer	14 881 313	9 834 037
	49 916 167	**58 208 311**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	249 658	211 258
- in second to fifth year inclusive	204 170	369 701
	453 828	**580 959**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. 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.

30. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	178 955	130 946

Reason for Fruitless and wastefull Expenditure
Included in the fruitless and wastefull expenditure is R2 897 interest and penalty charged by Telkom and Eskom Holding this interest was due to the late payment of the invoices and R176 057 charged by SARS due to the late submision of VAT 201 .

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. Irregular expenditure

Opening balance	67 944 598	44 251 205
Add: Irregular Expenditure - current year	11 768 013	21 620 272
Add: Irregular Expenditure incured in current year but identified in prior year	9 356 566	2 073 121
Add: Deviations	885 603	-
	89 954 780	**67 944 598**

Summary of cases for 2015/16

Current year	-	-
SCM Related cases	33	-
An investigation is underway into certin infrastructure payments made to contractors	4	-
Total number of cases	**37**	**-**

Notes to the Annual Financial Statements

Figures in Rand		2016	2015

31. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Details	
Deviations	Non-compliance with supply chain management regulations paragraph 12(1)(d)(i) of Government gazzettee No. 27636 issued on 30 May 2005 states that a supply chain management policymust provide for the procurement of goods and services by the way of a compatitive bidding process	885 603
Irregular	Non-compliance with supply chain management regulations paragraph 32(1)(c) of government gazzettee No. 27636 issued on 30 May 2005 state that a supply chain management policy may allow the accounting officer to procure goods and serrvices for the municipality or municipal entity under a contract secured by other organ of state, but only if the are demonstrable discounts or benefit fo the municipality or entity to	8 433 081
Irregular	Non-compliance with section 116(2)(a) of the Municipal Finance Management Act, Act no. 56 of 2003 state that the accounting officer of the municipality mus take all the reasonable steps to ensure that a contract or agreement procure trough supply chain management policy of the municipality or municipal entity is properly enforced.	1 661 299
Irregular	Non- compliance with section 116(1)(a)of the Municipal Finance management Act (MFMA), Act no. 56 of 2003 which states that a contract or agreement procured through the supply chain management system of municipal or municipal entity must be in writting	632 336
Irregular	The municipality have not complied with the Preferential Procurement regulation 2011 wich states that "A two- stage tendering process may be followed, where the first stage involve fanctionality and minimum treshold for local production and contect and the secon stage price and B-BBEE wth the possibility of price negotiations only with the short listed tenders"	484 785
Irregular	This irregular incured as a result of contravention of chapter 11 of Municipal Financial Management Act no. 56 of 2003 together with municipal supply chain management regulations.	4 100 252
Irregular	This irregular incured as a result of contravention of CIDB regulations	4 111 826
Irregular	Non-compliance with SCM process and regulations	1 700 001
		22 009 183

32. Unauthorised expenditure

	2016	2015
Unauthorised expenditure	-	3 690 800
Other 1	-	8 722 126
	-	**12 412 926**

Figures in Rand	2016	2015

33. Related parties

Related party transactions

Rent Income from Related Parties		
Maphumulo Independent Eletroral Council (IEC)	4 844	49 092

34. Prior period errors

During the year the following errors were identified in the prior year Annual Financial statements:

- **Finance Lease**

  Wesbank short term portion was found to be understated with a debit balance of R74 001. In this financial year this was corrected by debiting Wesbank Long term portion and credit Wesbank short term portion by R318 589.

  ABSA short term portion was overstated by R28 822 and corected by debiting ABSA short term loan and credit ABSA long term loan by R28 822.

  Wesbank long term loan was found to be overstated by R418 921 and this was corrected by debiting Wesbank long term portion by R418 921 and credit Wesbank short term portion by R318 589, ABSA long term portion with R87 169 and Input VAT provision by R13 164.

  ABSA long term loan was found to be understated by R115 591 and the correction was made by debiting ABSA short term loan by R28 822 and Wesbank long term portion by R87 169 and credit ABSA long term loan R115 991.

- **Input VAT provision**
  Input VAT provision was found to be overstated by R17 191.99 and this was corrected by debiting Interest expense by R4 028 and Wesbank Long term portion by R13 164 and credit Input VAT provision by R17 191.99.

- **Finance Cost**
  Interest expense was understated by R4 028 and this was corrected by debiting Interest expense and credit Input VAT provision by R4 028. In prior year we also identified that, interest and penalties R130 946 was disclosed as Finance cost and in the current year we decided to reclasified interest and penalties as a line iterm under general expenses (See reclasification of accounts below).

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

Statement of financial position and Statement of financial Perfomance

			-	1
Heading	Prior period 2014/15	Changes in Income Statement	Changes in Balance Sheet	Restated 2014/15
Current Finance Lease	-	-	-	-
Short Term Wesbank Loan	74 001	-	(318 589)	(244 588)
Short Term ABSA Loan	(5 611 976)	-	28 822	(5 583 154)
Non Current Finance lease	-	-	-	-
Long term Wesbank Loan	(428 418)	-	418 921	(9 497)
LongTerm ABSA Loan	(6 683 568)	-	(115 990)	(6 799 558)
Input VAT provision	10 126 593	-	(17 192)	10 109 401
Finance Cost	2 288 943	4 028	-	2 292 971
	(234 425)	**4 028**	**(4 028)**	**(234 425)**

Notes to the Annual Financial Statements

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34. Prior period errors (continued)

Reclasification of Account

The following accounts were re-clasificified from grant expenditure to the correct class. there was no effect on the accumulated surplus.	-	1

Statement of financial performance	Prior period 2014/15	Adjustments	Reclassifications 2014/15	Restated 2014/15
Membership fees from General Expenses to Employee Related Cost	(8 563)	-	(8 563)	-
Cleaning from General Expenses to Contracted Service	(3 794 172)	-	(3 794 172)	-
Consulting and professional fees from General Expenses to Contrated Services	(5 569 608)	-	(5 569 608)	-
Internal audit from General Expenses to Contracted Service	(1 413 280)	-	(1 413 280)	-
Security from General Expenses to Contracted Services	(3 738 558)	-	(3 738 558)	-
Interest and penalties from Finance Cost to General Expenses(Interest and penalties)	(130 946)	-	(130 946)	-
Sundry Debtors from Trade debtors-Rental to Other Debtors	140 500	-	140 500	-
Rental debtors straight line from Trade- Debtors Straight line to Other Debtors	316 749	-	316 749	-
Creditors/ PAYE control and from Trade Payables to TradeReceivables	35 918	-	35 918	-
Basic salaries from FMG, Sports and LGSETA grant funded expenses to basic salaries	(983 347)	-	(983 347)	-
Trainging from GMG grant funded expenses to General Expenses (Training)	(497 890)	-	(497 890)	-
License fees from FMG and MSIG grant funded expenses to General Expenses (License Fees)	(193 741)	-	(193 741)	-
Contracted services from FMG grant funded expenses to General Expenses(Contracted Services)	(430 860)	-	(430 860)	-
Conference and Seminars from MSIG grant funded expenditure to General Expenditure (Conference and Seminars)	(27 184)	-	(27 184)	-
Electrification from COGTA and INEP grant funded expenses to General Expenses (Electrification)	(5 203 182)	-	(5 203 182)	-
Cleaning from EPWP grant funded Expenses to General Expenses (Cleaning)	(1 940 205)	-	(1 940 205)	-
Leave Encashment from General Expenses to Employee Cost	(1 180 918)	-	(1 180 918)	-
Valuation roll from Housing grant funded expenditure to General Expenses (Valuation Roll)	(201 434)	-	(201 434)	-
Repairs and maintanace from grants funded expenses to Repairs and maintanance	(557 252)	-	(557 252)	-
	(25 377 973)	**-**	**(25 377 973)**	**-**

35. Employee benefit obligations

Multi Employer Retirement Fund

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

35. Employee benefit obligations (continued)

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

35. Employee benefit obligations (continued)

Defined benefit plan

Retirement Fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els and Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R 251,2 (31 March 2011: shortfall of R 382,3) million, with a funding level of 90,6% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority. This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the sucharge be increased to 17.5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34.22% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els and Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R 270,0 (31 March 2011: shortfall of R 549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2013: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2013 7,0%)of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the sucharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

35. Employee benefit obligations (continued)

Post retirement gratuity plan

A long-service awards is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2015 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 be the ARCH Actualries Consulting a member of the Actuarial Society of South Africa

A summary of the actuarial valuation results is as follows:

Key financial assumptions used for the purposes of the actuarial valuation	
Discount Rate	8,77%
General Salary Inflation (long term)	7,41%
Net effective Discount Rate	1,27%

Unfunded Accrued Liability	30 June 2016	30 June 2015
Current Portion of Liability	25 954	-
Non- Current Portion of liability	886 107	742 279
Unfunded accrued liability	**912 061**	**742 279**

Current service and interest costs	30 June 2016	30 June 2015
Current service cost	118 374	101 685
Interest cost	60 838	49 083
	179 212	**150 768**

The Current-service cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.

The interest cost represents the accrual of interest on the accrued liability allowing for benefit vestings, over the corresponding year. This arises because all future Long Service Award benefits are one year closer to payment.

35. Employee benefit obligations (continued)

Defined contribution plan

Municipal Councillors Pension Fund

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011. The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R 1 483,786 381 (30 June 2010: R 1 123,672 020) million. The contribution rate paid by the members (13.75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future. As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els and Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R 1 288,3 (31 March 2011: R 1056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

None of the above mentioned plans are State Plans.

36. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	145 991	145 991
Consumer debtors	-	12 686 834	12 686 834
Cash and cash equivalents	22 796 580	-	22 796 580
	22 796 580	**12 832 825**	**35 629 405**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	3 781 084	3 781 084
Trade and other payables from exchange transactions	16 049 895	16 049 895
Finance Lease Liability	6 809 056	6 809 056
	26 640 035	**26 640 035**

37. Contingencies

Case 1
Litigation is in the process against the municipality relating to a dispute with the former chief financial officer , He alleged the municipality has dismissed him unfairly on allegations of falsifying qualifications he submitted when applying for the Municipal Manager position. The estimated damages the municipality may pay in the event that the ruling is in favour of him is R504 860. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Notes to the Annual Financial Statements

Figures in Rand

37. Contingencies (continued)

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

Case 2
Latigation relates to the general worker agains the municipality agains the stolen of the municipal vehicle which was drove by him. The municipality find him guilty because of gross negligent on his part and dismissed him. His legal team apeal against the municipality decision and the case is at the arbitration stage. They is no financial implication estimated as yet as per the chairperson on the disciplinary enquire.

Case 3
The former Accounting officer alleges to have been unfairly dismissed by not being notified by the municipality that his contract as the accounting officer is not going to be renewed. The commissioner at CCMA ruled in his favour and the matter was referred to Ngidi and company attorneys for the review of this decision. Issue was escalated to labor court and the matter has been resolved and the provision is provided see note 43.

38. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments 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.

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

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	475 000	450 000

Audit fees

Current year subscription / fee	1 116 498	1 088 218

PAYE and UIF

Amount paid - current year	4 455 364	4 158 796

Pension and Medical Aid Deductions

Amount paid - current year	974 058	915 690

VAT

VAT receivable	3 995 927	3 172 124

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

40. Provision

Non-current liabilities	886 107	742 279
Current liabilities	5 518 452	-
	6 404 559	**742 279**

Non-current liabilities
Non-current liabilities are made of Long service award provision of R886 107

Current Liabilities
Current liabilities includes the Long service award provision of R 25 954This and the provision for the former accounting officer who alleged to have been unfairly dissmissed by the municipality and He won the case and the municipality is providing the liability of the amount owed to him as at the end of this financia year the provision amount is R5 492 498.

41. Debt impairment

Contributions to debt impairment provision - Rental debtors	331 604	217 647
Contribution to debt impairment provision - Consumer Debtors	2 704 042	1 706 953
	3 035 646	**1 924 600**

42. Impairment of assets

Impairments

Property, plant and equipment	253 630	-

43. Contracted services

Information Technology Services	370 140	223 780
Other Contractors	16 497 468	14 246 839
	16 867 608	**14 470 619**

Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
First National Bank Loan			4 988 305	-	1 207 221	3 781 084	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			4 988 305	**-**	**1 207 221**	**3 781 084**	**-**	**-**
Structured loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Funding facility								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Bonds								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Other loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Lease liability								
ABSA Finance Lease			12 382 713	-	5 583 154	6 799 559	6 799 559	-
Wesbank Finance Lease			254 086	-	244 588	9 498	9 498	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			12 636 799	**-**	**5 827 742**	**6 809 057**	**6 809 057**	**-**
Annuity loans								
			-	-	-	-	-	-
			-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			4 988 305	-	1 207 221	3 781 084	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			12 636 799	-	5 827 742	6 809 057	6 809 057	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			17 625 104	**-**	**7 034 963**	**10 590 141**	**6 809 057**	**-**