ELIAS MOTSOALEDI LOCAL MUNICIPALITY

(Registration number LIM 472)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Office of the Auditor General (Polokwane) - Auditors

Published 31 August 2016

General Information

Mayor	Cllr JL Mathebe
Chief Whip	Cllr TM Phahlamohlaka (Chief Whip)
Speaker	Cllr TS Mahlangu
Councillors	
	Cllr JL Mathebe (Mayor)
	Cllr R Alberts (Exco Member)
	Cllr TJ Lepota (Exco Member)
	Cllr NN Mahlangu (Exco Member)
	Cllr EM Masemola (Exco Member)
	Cllr GD Matjomane (Exco Member)
	Cllr FM Mogotji (Exco Member)
	Cllr MJ Mohlala (Exco Member)
	Cllr JJ Skosana (Exco Member)
	Cllr MD Tladi (Exco Member)
	Cllr MZ Buta
	Cllr NA Motong
	Cllr MT Mokganyetsi
	Cllr RSA Kabinie
	Cllr JP Kotze
	Cllr MF Madihlaba
	Cllr MM Maepa
	Cllr MK Tshoshane
	Cllr AB Mahlangu
	Cllr J Mahlangu
	Cllr MD Mahlangu
	Cllr KS Mahlase
	Cllr MN Malatji
	Clr MS Malekane
	Cllr AM Maloba
	Cllr DS Mamaila
	Cllr MS Marapi
	Cllr MS Maselela
	Cllr HS Mashifane
	Cllr MS Mashilo
	Cllr WM Matemane
	Cllr SM Mathale
	Cllr MS Matlala
	Cllr TS Matsepe
	Cllr MP Matshipa
	Cllr ST Matsomane
	Cllr SH Mehlape
	Cllr CT Mhlanga
	Cllr I Mkhaliphi
	Cllr TN Mmutle
	Cllr VV Moganedi
	Cllr MP Mokgabudi
	Cllr MP Mokone
	Cllr OE Motau
	Cllr MG Motlafe
	Cllr DM Mzinyane

General Information

	Cllr ME Nduli Cllr SF Nkosi Cllr TJ Ntuli Cllr ML Phala Cllr A Phatlane Cllr RJ Podile Cllr MF Rakoena Cllr MW Ramphisa Cllr SL Skosana Cllr LH Tshoma Cllr MS Tshoma
Accounting Officer	Mrs RM Maredi
Business address	2nd Grobler Avenue - Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Office of the Auditor General (Polokwane)
Grading of the Municipality	Grade 3

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
EPWP	Expanded Public works programme
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grants

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act no. 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 was 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 she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements set out on pages 7 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and signed by:

Mrs RM Maredi
Municipal Manager

Wednesday, 31 August 2016

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 5 special meetings were held.

Name of new Audit committee members	Number of meetings attended
Mrs M.P Ramutsheli (Chairperson) (From 4 January 2016 to 30 June 2016)	2 Normal - 0 Special - 2 Total
Mr V.K Chuene (From 4 January 2016 to 30 June 2016)	2 Normal - 0 Special - 2 Total
Mr M.O Mojapelo (From 4 January 2016 to 30 June 2016)	2 Normal - 0 Special - 2 Total
Mr M.M Thipe (From 4 January 2016 to 30 June 2016)	2 Normal - 0 Special - 2 Total
Mr M.G Mathabathe (From 4 January 2016 to 30 June 2016)	2 Normal - 0 Special - 2 Total

Name of old Audit committee member	Number of meetings attended
Adv S.S.T Kholong (Chairperson) - (From 1 July 2015 to December 2015)	2 Normal - 4 Special - 6 Total
Mr L.A.T Gafane (From 1 July 2015 to December 2015)	1 Normal - 5 Special - 6 Total
Mr M.G Mathabathe (From 1 July 2015 to December 2015)	2 Normal - 5 Special - 7 Total
Adv R Nke (From 1 July 2015 to December 2015)	2 Normal - 5 Special - 7 Total
Mr B Mbange (From 1 July 2015 to December 2015)	2 Normal - 5 Special - 7 Total

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter.

It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been reviewed by the audit committee.

The internal control environment was partially effective.

The Audit Committee is satisfied with Management’s action to address deficiencies identified.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed the performance of the institution.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The Municipality has been building an Internal Audit capacity.The vacancies within the Internal Audit division negatively affected the Audit Committee in carrying out its responsibilities effectively.
The Audit Committee engaged and supported management team during the review of performance manangement information.

Risk management

The risk management function was partially effective during the year under review. The risk assessment was conducted quarterly during the year under review. The municipality had a full time Chief Risk Officer during the financial year.

Audit Committee Report

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee : Mrs M.P Ramutsheli

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality.

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

Net surplus of the municipality was R 39 366 385 (2015: deficit R 18 025 020).

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officers' declare not to have any interest in contracts of the Municipality.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The Accounting Officer of the municipality during the financial year and to the date of this report is as follows:

Name	Nationality
Mrs RM Maredi	South African

Accounting Officer's Report

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The councillors:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Mr SS Kholong was a Chairperson of the audit committee from the 1 July 2015 to December 2015. Mrs M.P Ramutsheli took over as Audit Committee Chairperson from the 4th January 2016 to 30 June 2016.The audit committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality had two full time internal auditors for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

9. Bankers

The municipality banks primarily with ABSA Bank Limited.

10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2016	Restated 2015
Assets			
Current Assets			
Inventories	8	3 387 871	2 635 642
Receivables from exchange transactions	9	2 081 506	3 200 182
Receivables from non-exchange transactions	10	3 990 888	3 032 296
VAT receivable	11	12 153 198	28 219 164
Consumer debtors - From Exchange Transactions	12	8 665 037	6 137 354
Consumer debtors - From Non Exchange Transactions	12	15 879 983	12 606 680
Cash and cash equivalents	13	11 965 225	25 157 720
		58 123 708	**80 989 038**
Non-Current Assets			
Investment property	2	96 145 592	93 468 002
Property Plant and Equipment	3	870 783 099	816 644 420
Heritage Assets	4	463 463	463 463
Intangible assets	5	496 001	640 009
Deposit (Security held in advance)	7	11 403 658	10 650 261
		979 291 813	**921 866 155**
Total Assets		**1 037 415 521**	**1 002 855 193**
Liabilities			
Current Liabilities			
Deferred income	16	220 000	220 000
Finance lease obligation	14	8 169 707	7 271 813
Landfill Site Provision	17	930 456	773 225
Payables from exchange transactions	18	51 848 805	43 896 845
Consumer deposits	19	5 119 806	5 531 346
Employee benefit obligation	6	1 241 088	1 146 900
Unspent conditional grants and receipts	15	1 574 723	16 212 145
Provisions	17	158 502	588 430
		69 263 087	**75 640 704**
Non-Current Liabilities			
Deferred income	16	4 620 000	4 840 000
Finance lease obligation	14	6 899 877	15 069 584
Landfill Site Provision	17	45 592 332	41 090 764
Employee benefit obligation	6	34 243 239	29 616 811
Provisions	17	4 509 478	3 485 581
		95 864 926	**94 102 740**
Total Liabilities		**165 128 013**	**169 743 444**
Net Assets		**872 287 508**	**833 111 749**
Net Assets			
Accumulated surplus		872 287 508	833 111 749

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2016	Restated 2015
Revenue			
Revenue from exchange transactions			
Interest received	23	10 162 645	9 826 125
Licences and permits	20	4 256 501	5 081 009
Other income	22	745 883	3 180 040
Rental of facilities and equipment	34	1 412 843	1 198 621
Service charges	21	69 587 523	59 868 598
Total revenue from exchange transactions		**86 165 395**	**79 154 393**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	22 395 062	19 271 378
Transfer revenue			
Government grants & subsidies	26	293 840 422	229 608 474
Fines, Penalties and Forfeits	22	2 412 594	2 583 639
Total revenue from non-exchange transactions		**318 648 078**	**251 463 491**
Total revenue	20	**404 813 473**	**330 617 884**
Expenditure			
Administration		(958 595)	(574 646)
Bulk purchases	31	(60 360 649)	(51 852 916)
Debt Impairment	30	(8 130 056)	(11 356 914)
Depreciation and amortisation	3&5	(49 728 016)	(49 170 333)
Employee related costs	27	(112 150 609)	(102 669 174)
Finance costs	29	(2 268 424)	(674 890)
General Expenses	32	(87 082 531)	(71 754 969)
Impairment loss/ Reversal of impairments	3	(402 926)	(649 448)
Lease rentals on operating lease		(8 375 807)	(8 081 891)
Remuneration of councillors	28	(19 060 569)	(18 843 914)
Repairs and maintenance		(9 605 547)	(10 678 234)
Transfers and Subsidies	25	(313 378)	(1 831 579)
Total expenditure		**(358 437 107)**	**(328 138 908)**
Operating surplus/(deficit)	35	**46 376 366**	**2 478 976**
Loss on disposal of assets	3	(3 789 937)	(2 135 548)
Additional service cost landfill rehabilitation	17	(3 885 575)	(6 064 815)
Fair value adjustments - actuarial gains and losses		(2 012 059)	278 209
Investment property fair value adjustment		2 677 590	4 226 053
Sekhukhune agency services waived by council		-	(16 807 895)
		(7 009 981)	**(20 503 996)**
Surplus/(deficit) for the year		**39 366 385**	**(18 025 020)**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	755 437 391	755 437 391
Adjustments		
Correction of errors - Construction work in progress now completed	95 699 378	95 699 378
Balance at 01 July 2014 as restated	**851 136 769**	**851 136 769**
Changes in net assets		
Deficit for the year	(18 025 020)	(18 025 020)
Total changes	(18 025 020)	(18 025 020)
Opening balance as previously reported	760 349 906	760 349 906
Adjustments		
Correction of errors - Finance lease liability (1)	(946 028)	(946 028)
Additional fair value	136 053	136 053
Correction of errors - Assets	73 381 192	73 381 192
Balance at 01 July 2015 as restated	**832 921 123**	**832 921 123**
Changes in net assets		
Surplus for the year	39 366 385	39 366 385
Total changes	39 366 385	39 366 385
Balance at 30 June 2016	**872 287 508**	**872 287 508**
Note(s)	41	

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Fines		2 412 594	2 179 660
Sale of goods and services		69 587 523	71 957 222
Grants		293 840 422	236 158 763
Interest		10 162 645	9 257 316
Other receipts		753 397	2 776 383
Licences and Permits		4 256 501	5 081 009
		381 013 082	327 410 353
Payments			
Employee costs		(125 770 224)	(118 329 651)
Suppliers		(295 557 204)	(149 904 393)
Finance costs		-	2 368 941
Prior period adjustment on assets		137 363 924	20 447 244
		(283 963 504)	(245 417 859)
Net cash flows from operating activities	36	**97 049 578**	**81 992 494**
Cash flows from investing activities			
Purchase of property plant and equipment	3	(108 561 750)	(89 822 809)
Proceeds from sale of property plant and equipment	3	654 036	1 435 098
Adjustment to fair value Investment property		2 677 590	(568 809)
Net cash flows from investing activities		**(105 238 684)**	**(88 956 520)**
Cash flows from financing activities			
Repayment of deferred income		-	(756 177)
Finance lease payments		(5 003 389)	(2 368 941)
Net cash flows from financing activities		**(5 003 389)**	**(3 125 118)**
Net increase/(decrease) in cash and cash equivalents		**(13 192 495)**	**(10 089 144)**
Cash and cash equivalents at the beginning of the year		25 157 720	35 246 865
Cash and cash equivalents at the end of the year	13	**11 965 225**	**25 157 721**

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	67 601 136	(1 264 136)	**66 337 000**	69 587 523	**3 250 523**	Electricity reconnection revenue was higher than the budgeted amount.
Rental of facilities and equipment	3 290 380	(2 290 380)	**1 000 000**	1 412 843	**412 843**	Starign lining of rental income resulted in increase.
Licences and permits	6 348 000	(1 948 000)	**4 400 000**	4 256 501	**(143 499)**	Less licenses and pertmits were issued during the year due to less applications.
Other income	1 415 259	(1 155 539)	**259 720**	745 883	**486 163**	Increase due to reclassified revenue from other accounts
Interest earned	9 100 000	700 000	**9 800 000**	10 162 645	**362 645**	Additional interest were earned due to increased investmet.
Total revenue from exchange transactions	**87 754 775**	**(5 958 055)**	**81 796 720**	**86 165 395**	**4 368 675**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 182 000	(1 385 018)	**24 796 982**	22 395 062	**(2 401 920)**	Municipal Properties were not levied during the period
Transfer revenue						
Government grants & subsidies	216 652 000	-	**216 652 000**	216 652 000	**-**	
Fines, Penalties and Forfeits	634 800	1 165 200	**1 800 000**	2 412 594	**612 594**	More fines were issued during the year.
Total revenue from non-exchange transactions	**243 468 800**	**(219 818)**	**243 248 982**	**241 459 656**	**(1 789 326)**	
Total revenue	**331 223 575**	**(6 177 873)**	**325 045 702**	**327 625 051**	**2 579 349**	
Expenditure						
Personnel	(115 255 894)	9 147 287	**(106 108 607)**	(112 150 609)	**(6 042 002)**	Excess due to remuneration of Ward commitee members budgested under general expenses.
Remuneration of councillors	(18 543 376)	884 315	**(17 659 061)**	(19 060 569)	**(1 401 508)**	Budgeted amount was based on understated amount due to system error resulting in variance.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Administration	-	-	**-**	(958 595)	**(958 595)**	Amount was budgeted under general expenses.
Depreciation and amortisation	(35 000 000)	-	**(35 000 000)**	(49 728 016)	**(14 728 016)**	Accurate estimate not available at budget process
Impairment loss/ Reversal of impairments	-	-	**-**	(402 926)	**(402 926)**	
Finance costs	-	-	**-**	(2 268 424)	**(2 268 424)**	Increase is the result of correction of error.
Lease rentals on operating lease	-	-	**-**	(8 375 807)	**(8 375 807)**	Amount is budgeted under general expenditure.
Bad debts written off	(11 000 000)	-	**(11 000 000)**	(8 130 056)	**2 869 944**	Decrease due to lower estimate made during the year.
Repairs and maintenance	(11 820 000)	1 907 000	**(9 913 000)**	(9 605 547)	**307 453**	Less repairs were made during the year.
Bulk purchases	(65 430 000)	(2 329 000)	**(67 759 000)**	(60 360 649)	**7 398 351**	Load shedding impacted on sales and expenditure
Transfers and Subsidies	(3 300 000)	1 400 000	**(1 900 000)**	(313 378)	**1 586 622**	result of low rate of registered Indegents households.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
General Expenses	(78 622 390)	(20 660 610)	**(99 283 000)**	(87 082 531)	**12 200 469**	Variance due to remuneration of ward commitees classified under personnel costs.
Total expenditure	**(338 971 660)**	**(9 651 008)**	**(348 622 668)**	**(358 437 107)**	**(9 814 439)**	
Operating deficit	**(7 748 085)**	**(15 828 881)**	**(23 576 966)**	**(30 812 056)**	**(54 389 022)**	
Loss on disposal of assets and liabilities	(400 000)	400 000	**-**	(3 789 937)	**(3 789 937)**	Accurate estimate not available during budget
Additional contribution landfill rehabilitation	-	-	**-**	(3 885 575)	**(3 885 575)**	Non cash adjustment on the afs
Fair value adjustments	-	-	**-**	(2 012 059)	**(2 012 059)**	Non Cash adjustment on the afs
Investment property fair value adjustment	-	-	**-**	2 677 590	**2 677 590**	Additions and revaluations on investment properties
Transfers recognised - capital	63 102 000	14 637 422	**77 739 422**	77 188 422	**(551 000)**	Amount was surrendered to NT
	62 702 000	**15 037 422**	**77 739 422**	**70 178 441**	**(7 560 981)**	
Surplus before taxation	**54 953 915**	**(791 459)**	**54 162 456**	**39 366 385**	**(14 796 071)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**54 953 915**	**(791 459)**	**54 162 456**	**39 366 385**	**(14 796 071)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 500 000	435 642	**2 935 642**	3 387 871	**452 229**	Increase due to
Receivables from exchange transactions	14 400 000	(7 167 522)	**7 232 478**	2 081 506	**(5 150 972)**	Budgeted as part receivables on budget schedules
Receivables from non-exchange transactions	-	-	**-**	3 990 888	**3 990 888**	Budgeted as part of receivables on budget schedule
VAT receivable	-	-	**-**	12 153 198	**12 153 198**	Additional old VAT reclaimed was not taken into account with the budget
Consumer debtors	24 184 000	-	**24 184 000**	22 190 762	**(1 993 238)**	Debtors of R 8.5m were written off
Cash and cash equivalents	25 630 983	16 411 279	**42 042 262**	11 965 225	**(30 077 037)**	Less cash was received from the district council and debtors than anticipated. Additional creditors were paid on year end.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
	66 714 983	**9 679 399**	**76 394 382**	**55 769 450**	**(20 624 932)**	
Non-Current Assets						
Investment property	90 000 000	(4 618 000)	**85 382 000**	96 145 592	**10 763 592**	Anticipated increase exceeded the value anticipated from the supplemantary valuation from the valuer
Property Plant and Equipment	796 793 223	87 690 709	**884 483 932**	870 783 099	**(13 700 833)**	Additions were reduced by the unspent DME and MIG Grants
Heritage Assets	-	-	**-**	463 463	**463 463**	Item consolidated on budget schedules with amount PPE
Intangible assets	-	-	**-**	496 001	**496 001**	Post audit adjustment was taken into account. Item transferred to expenditure.
Deposit (Security held in advance)	-	-	**-**	11 403 658	**11 403 658**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Long term lease Debtor - restated	-	-	-	-	-	The leases were indicated on prior year afs as contingent assets at the time of drafting the budget.
	886 793 223	**83 072 709**	**969 865 932**	**979 291 813**	**9 425 881**	
Total Assets	**953 508 206**	**92 752 108**	**1 046 260 314**	**1 035 061 263**	**(11 199 051)**	
Liabilities						
Current Liabilities						
Deferred income	-	-	-	220 000	**220 000**	Pre Paid Debtor Short term portion not taken into account seperately
Finance lease obligation	-	-	-	8 169 707	**8 169 707**	
Landfill Rehabilitation Provision	-	-	-	930 456	**930 456**	The landfill was transferred as a post audit adjustment and was not part of the budget process

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Payables from exchange transactions	29 000 000	(7 500 000)	**21 500 000**	51 848 805	**30 348 805**	An effort was made to pay creditors before year end and it affected the cash position and anticipated creditors provision.
Consumer deposits	5 500 000	100 000	**5 600 000**	5 119 806	**(480 194)**	Deposits was increased during the year and resulted in an additional amount raised that exceeded estimates
Employee benefit obligation	-	-	**-**	1 241 088	**1 241 088**	Included in the short term portion as indicated below
Unspent conditional grants and receipts	-	-	**-**	1 574 723	**1 574 723**	This was due to unforseen results on the DME and MIG additional projects being unspent
Provisions	-	-	**-**	158 502	**158 502**	Included in the below mentioned short term portions below
	34 500 000	**(7 400 000)**	**27 100 000**	**69 263 087**	**42 163 087**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Non-Current Liabilities						
Deferred income	-	-	-	4 620 000	**4 620 000**	This amount was received in advance and did not form part of the budget process
Finance lease obligation	-	-	-	6 899 877	**6 899 877**	
Landfill Site Rehabilitation provision	-	-	-	45 592 332	**45 592 332**	The landfill was transferred as a post audit adjustment and was not part of the budget process
Employee benefit obligation	-	-	-	34 243 239	**34 243 239**	The amount indicated in the afs include the short term portion above and was less than expected when budgeted based on prior year actuarial reports
Provisions	40 000 000	(7 487 618)	**32 512 382**	4 509 478	**(28 002 904)**	This was included in the emplyee benefit obligation provision.
	40 000 000	**(7 487 618)**	**32 512 382**	**95 864 926**	**63 352 544**	
Total Liabilities	**74 500 000**	**(14 887 618)**	**59 612 382**	**165 128 013**	**105 515 631**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation
Net Assets	**879 008 206**	**107 639 726**	**986 647 932**	**869 933 250**	**(116 714 682)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	879 008 206	107 639 726	**986 647 932**	872 287 510	**(114 360 422)**	
Total Net Assets	**879 008 206**	**107 639 726**	**986 647 932**	**872 287 510**	**(114 360 422)**	

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board. In situations were the application of GRAP is not practicable, the International Accounting Standards will apply.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and 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. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

The impairment for trade receivables is calculated on a portfolio risk 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.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by :

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) linked to the prime rate.

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, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, 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.

1.4 Investment property (continued)

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property , the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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 municipality; and
- the cost of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, 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.

1.5 Property Plant and Equipment (continued)

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

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

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

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

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

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

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 -20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 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.

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 on the straight line basis 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. These assets are not accounted for as non-current assets held 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.

Accounting Policies

1.6 Intangible assets

An asset is identified as an intangible asset when it:
- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

Item	Useful life
Computer Software	3-5 years

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

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

1.7 Heritage assets

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

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

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

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

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

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

An impairment loss of a heritage asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of the heritage asset's net selling price and its value in use.

Value in use of the heritage asset is the present value of the asset's remaining service potential.

1.7 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

1.8 Financial instruments (continued)

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

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

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

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.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated

1.8 Financial instruments (continued)

at fair value at initial recognition; and

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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
Deposits	Financial asset measured at amortised cost
Investments - Call accounts	Financial asset measured at cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at cost
Sundry debtors	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
Deposits	Financial liability measured at amortised cost
Trade Payables	Financial asset measured at cost
Accruals	Financial asset measured at 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.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Accounting Policies

1.8 Financial instruments (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 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.9 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

Accounting Policies

1.11 Inventories (continued)

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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:

Identification

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

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

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

Value in use

1.12 Impairment of cash-generating assets (continued)

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

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

Basis for estimates of future cash flows

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

Identification

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

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

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.14 Employee benefits

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

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

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

1.14 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Short-term employee benefits

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

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.

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.

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Accounting Policies

1.14 Employee benefits (continued)

Other post retirement obligations

The municipality 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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

1.15 Provisions and Contingent Liabilities

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.15 Provisions and Contingent Liabilities (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

1.15 Provisions and Contingent Liabilities (continued)

- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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

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

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

1.17 Revenue from exchange transactions (continued)

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

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

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

Interest

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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.

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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.

Fines

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued.
The amount due by a particular offender is specified on the notice, summons or equivalent document.The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.
Fines reductions are not within the Elias Motsoaledi Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information.
The municipality is able to reliably measure the fair value of fines issued . The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably.

The basis of a receivables provision for fines outstanding as at year end in Elias Motsoaledi Municipality is based on a percentage of fines settled which already has accounted for the discretion applied by by court to reduce or withdraw fines requested for review by public members divided by the total fines issued for the current year.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.
Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Levies

1.18 Revenue from non-exchange transactions (continued)

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Commitments

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

If the municipality enters into any significant contractual commitments that will result in the outflow of financial sources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

· Capital commitments (to acquire PPE and intangible assets)

· Lease commitments

· Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Property rates - revenue

1.18 Revenue from non-exchange transactions (continued)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Other grants and donations

Other grants and donations are recognised as revenue when:

> it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;

> the amount of the revenue can be measured reliably; and

>to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. if conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

>to the extent that there has been compliance with any restrictions associated with the grant.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.20 Investment income

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

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

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

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

1.24 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.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or

1.25 Irregular expenditure (continued)

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

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

Irregular expenditure that was incurred and identified during the current financial year and 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.

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.

1.26 Use of estimates

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

1.27 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. Grants are included in Non exchange transactions revenue.

1.28 Budget information

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

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

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have 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 compiled 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 .

Accounting Policies

1.28 Budget information (continued)

Comparative information is not required.

1.29 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.

1.30 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.

1.31 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	96 145 592	-	96 145 592	93 468 002	-	93 468 002

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	93 468 002	2 677 590	96 145 592

Reconciliation of investment property - 2015

	Opening balance	Fair Value adjustments	Total
Investment property	89 241 949	4 226 053	93 468 002

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. None of the assets of the Municipality has been pledged as security for any purposes.

3. 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	182 667 304	(9 026 900)	173 640 404	182 667 304	(9 026 900)	173 640 404
Buildings	59 776 335	(23 748 001)	36 028 334	59 776 334	(20 628 045)	39 148 289
Leased assets capitalised	21 083 725	(2 285 466)	18 798 259	21 083 725	(457 094)	20 626 631
Infrastructure	719 272 868	(216 952 830)	502 320 038	642 104 522	(184 518 566)	457 585 956
Community	58 721 996	(14 798 486)	43 923 510	60 367 850	(13 836 654)	46 531 196
Other property, plant and equipment	92 469 738	(61 233 918)	31 235 820	97 701 374	(58 809 074)	38 892 300
Capital - Work in Progress	64 836 734	-	64 836 734	40 219 644	-	40 219 644
Total	**1 198 828 700**	**(328 045 601)**	**870 783 099**	**1 103 920 753**	**(287 276 333)**	**816 644 420**

Notes to the Annual Financial Statements

Figures in Rand

3. Property Plant and Equipment (continued)

Reconciliation of property plant and equipment - 2016

	Opening balance	Additions	Additions through finance lease	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	173 640 404	-	-	-	-	-	-	-	173 640 404
Buildings	39 148 289	-	-	-	-	-	(3 119 955)	-	36 028 334
Leased assets capitalised	20 626 631	-	-	-	-	-	(1 828 372)	-	18 798 259
Infrastructure	457 585 956	-	-	-	77 168 347	-	(32 185 818)	(248 447)	502 320 038
Community	46 531 196	-	-	-	-	-	(2 453 208)	(154 478)	43 923 510
Other property, plant and equipment	38 892 300	6 602 629	-	(4 443 973)	-	-	(9 815 136)	-	31 235 820
Capital - Work in Progress	40 219 644	101 785 437	-	-	(77 168 347)	-	-	-	64 836 734
	816 644 420	**108 388 066**	**-**	**(4 443 973)**	**-**	**-**	**(49 402 489)**	**(402 925)**	**870 783 099**

Reconciliation of property plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	173 640 404	-	-	-	-	-	173 640 404
Buildings	40 107 219	2 011 306	-	-	(2 970 236)	-	39 148 289
Leased assets capitalised	-	21 083 724	-	-	(457 093)	-	20 626 631
Infrastructure	449 002 416	2 718 619	-	34 869 468	(28 355 099)	(649 448)	457 585 956
Community	42 717 774	1 861 080	-	4 336 718	(2 384 376)	-	46 531 196
Other property, plant and equipment	52 833 663	2 034 140	(3 570 646)	435 500	(12 840 357)	-	38 892 300
Capital - Work in Progress	19 998 616	63 049 559	-	(42 828 531)	-	-	40 219 644
	778 300 092	**92 758 428**	**(3 570 646)**	**(3 186 845)**	**(47 007 161)**	**(649 448)**	**816 644 420**

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. None of the assets of the Municipality has been pledged as security for any purposes.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Heritage Assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	463 463	-	463 463	463 463	-	463 463

Reconciliation of heritage assets - 2016

	Opening balance as reported	Total
Heritage Assets	463 463	463 463

Reconciliation of heritage assets - 2015

	Opening balance	Fair value adjustments	Total
Heritage Assets	451 011	12 452	463 463

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	1 554 591	(1 058 590)	496 001	1 380 907	(740 898)	640 009

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	640 009	173 684	(317 692)	496 001

Reconciliation of intangible assets - 2015

	Opening balance	Transfers received	Amortisation	Total
Computer software	-	1 380 907	(740 898)	640 009

Figures in Rand	2016	2015

6. Employee benefit obligations

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

Carrying value		
Present value of the Post Employment Medical Health Care obligation - opening balance	(30 763 711)	(28 168 340)
Interest charge	(2 680 553)	(2 513 201)
Net actuarial gains or losses recognised	(1 427 756)	189 279
Current Service Cost	(1 556 236)	(1 301 976)
Benefits paid out of the fund	943 929	1 030 527
	(35 484 327)	**(30 763 711)**
Non-current liabilities	(34 243 239)	(29 616 811)
Current liabilities	(1 241 088)	(1 146 900)
	(35 484 327)	**(30 763 711)**

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

Opening balance	30 763 371	28 168 340
Net expense recognised in the statement of financial performance	4 720 616	2 595 031
	35 483 987	**30 763 371**

Net expense recognised in the statement of financial performance

Current service cost	1 556 236	1 301 636
Interest cost	2 680 553	2 513 201
Actuarial losses/(gains)	1 427 756	(189 279)
Paid out to current members	(943 929)	(1 030 527)
	4 720 616	**2 595 031**

Calculation of actuarial gains and losses

Actuarial losses/(gains) – Obligation	1 427 756	(189 279)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	8,64 %	8,88 %
General salary inflation (Long Term)	7,29 %	7,06 %
Nett effective discount rate - Long service awards	1,26 %	0,87 %
Discount rate used: Post employment benefits	9,01 %	8,88 %
Health care inflation rate	8,13 %	7,98 %
Net effective discount rate - Post employment benefits	0,82 %	0,83 %

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5 034 600	3 601 400

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2012 annual financial statements. Future periods will include all further information as it ages.

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	35 484 327	30 763 371	28 168 340	24 917 233	24 001 186
Experience adjustments on plan liabilities	(1 933 000)	(363 000)	(1 258 817)	(1 444 000)	(74 000)

7. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier of the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

Eskom Deposits		
Account payable security	11 403 658	10 650 261

8. Inventories

Consumables	3 387 178	2 635 642
Materials and Supplies	693	-
	3 387 871	**2 635 642**

8.1 Consumables expenses

Opening stock	2 635 642	2 287 835
Closing stock	(3 387 178)	(2 635 642)
Purchases	741 007	347 807
Cost of Sales of finished goods	**(10 528)**	-
Consumables used	4 648 592	1 777 115
(Gains) and losses on inventory	(11 283)	-
Inventories recognised as an expense during the year	**4 626 780**	**1 777 115**

9. Receivables from exchange transactions

Trade debtors	1 872 629	1 023 557
Prepayments (if immaterial)	-	71 859
Housing debtors	208 877	2 104 766
	2 081 506	**3 200 182**

Figures in Rand	2016	2015

10. Receivables from non-exchange transactions

Fines	21 206 181	19 948 685
Less: Provision for irrecoverable debt and fair value adjustment	(17 215 293)	(16 916 389)
	3 990 888	**3 032 296**

11. VAT receivable

VAT	12 153 198	28 219 164

12. Consumer debtors

Gross balances		
Rates	35 817 915	22 330 377
Electricity	10 912 152	12 732 865
Refuse	1 938 718	1 666 423
Other (specify)	14 902 449	13 187 139
	63 571 234	**49 916 804**
Less: Allowance for impairment		
Rates	(21 177 108)	(13 775 235)
Electricity	(3 030 334)	(7 246 466)
Refuse	(1 155 499)	(1 015 473)
Other (specify)	(13 663 276)	(9 135 597)
	(39 026 217)	**(31 172 771)**
Net balance		
Rates	14 640 807	8 555 142
Electricity	7 881 818	5 486 399
Refuse	783 219	650 950
Other (specify)	1 239 173	4 051 542
	24 545 017	**18 744 033**
Rates - Consisting of Non Exchange Transactions		
Current (0 -30 days) Restated	9 161 092	1 609 443
61 - 90 days	981 604	960 965
61 - 90 days	774 547	745 935
91 - 120 days	683 555	544 385
121 - 365 days	7 197 142	9 175 322
> 365 days	17 019 975	9 294 327
	35 817 915	**22 330 377**
Electricity - Consisting of Exchange Transactions		
Current (0 -30 days)	5 026 791	5 848 087
31 - 60 days	1 483 975	1 464 319
61 - 90 days	722 236	768 428
91 - 120 days	349 069	272 094
121 - 365 days	1 508 766	2 810 600
> 365 days (SDM Waiver on 2014 R 2 583 017)	1 821 315	1 569 337
	10 912 152	**12 732 865**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Consumer debtors (continued)

Refuse - Consisting of Exchange Transactions

Current (0 -30 days)	296 742	274 294
31 - 60 days	126 636	130 258
61 - 90 days	54 800	67 971
91 - 120 days	42 734	33 596
121 - 365 days	260 496	214 009
> 365 days	1 157 310	946 295
	1 938 718	**1 666 423**

Other - Consisting of Non Exchange Transactions

Current (0 -30 days)	1 292 646	902 768
31 - 60 days	973 789	943 611
61 - 90 days	568 676	1 833 587
91 - 120 days	648 777	499 516
121 - 365 days	5 299 997	3 803 004
> 365 days	6 118 564	5 204 653
	14 902 449	**13 187 139**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	3 435 645	4 377 803
31 - 60 days	1 650 852	1 808 193
61 - 90 days	928 858	(743 980)
91 - 120 days	755 340	730 490
121 - 365 days	4 900 581	10 142 574
> 365 days	16 659 741	10 419 139
	28 331 017	26 734 219
Less: Allowance for impairment	(17 972 789)	(17 402 576)
	10 358 228	**9 331 643**

Industrial/ commercial / agricultural		
Current (0 -30 days)	4 116 583	3 320 525
31 - 60 days	1 316 671	1 044 765
61 - 90 days	814 716	3 699 888
91 - 120 days	630 682	285 047
121 - 365 days	5 284 293	2 396 891
> 365 days	7 337 092	4 748 577
	19 500 037	15 495 693
Less: Allowance for impairment	(13 853 677)	(7 044 391)
	5 646 360	**8 451 302**

National, provincial and other government organisations		
Current (0 -30 days)	981 727	1 077 991
31 - 60 days	598 481	646 195
61 - 90 days	376 684	459 508
91 - 120 days	338 114	334 055
121 - 365 days	1 727 272	3 463 471
> 365 days	1 978 604	4 288 688
	6 000 882	10 269 908
Less: Allowance for impairment	(3 067 095)	(6 725 804)
	2 933 787	**3 544 104**

Total		
Residential and Other	32 463 676	26 734 219
Commercial / industrial / agricultural	19 500 037	15 495 693
National, Provincial and other government organisations	6 000 882	10 269 908
SDM Correction	-	(2 583 016)
In Advance	5 606 639	-
	63 571 234	49 916 804
Less: Allowance for impairment	(39 026 217)	(31 172 771)
	24 545 017	**18 744 033**

Less: Allowance for impairment		
Impairment provision	(33 141 336)	(31 172 771)
Contributions to provision - Statement of Financial Performance	(5 884 881)	-
	(39 026 217)	**(31 172 771)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Consumer debtors (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(31 172 771)	(30 033 445)
Contributions to provision - Statement of Financial Performance	(7 853 446)	(9 620 743)
Debt impairment written off against allowance	-	8 481 417
	(39 026 217)	**(31 172 771)**

Consumer debtors impaired

As of 30 June 2016, consumer debtors of R 61 073 870 (2015: R 49 775 077) were impaired and provided for.

The amount of the provision was R 39 026 217 as of 30 June 2016 (2015: R 31 172 771). The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(215)	250
Bank balances	11 965 440	25 157 470
	11 965 225	**25 157 720**

The municipality's primary bank account has been pledged as security for its liabilities. The session was registered against the municipality's bank account in favour of Absa Vehicle Management Services.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Cheque Account (Acc no 900000049	4 917 116	1 358 311	-	5 065 847	1 203 415	-
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	-	-	-	-	2 125	-
ABSA Bank Limited Call Account (Acc no 4068316809)	632 032	140 374	-	635 377	140 374	-
ABSA Bank Limited MIG Call Account (Acc no 4087013143)	740 519	-	-	744 375	-	-
Sanlam Investment Management Corporate Money Market (Fund Acc No GGMKOM)	-	330 874	-	-	330 874	-
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264)	5 519 626	23 290 051	-	5 519 626	23 302 981	-
Total	**11 809 293**	**25 119 610**	**-**	**11 965 225**	**24 979 769**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

14. Finance lease obligation

Present value of minimum lease payments due		
- within one year	9 595 855	9 540 237
- in second to fifth year inclusive	7 196 891	16 584 506
	16 792 746	26 124 743
less: future finance charges	(1 723 162)	(3 783 346)
Present value of minimum lease payments	**15 069 584**	**22 341 397**
Non-current liabilities	6 899 877	15 069 584
Current liabilities	8 169 707	7 271 813
	15 069 584	**22 341 397**

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

The average lease term was 3-4 years and the average effective borrowing rate was linked to prime rates.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	14 637 422
Land Affairs Grant	466 250	466 250
Electrification Grant DME	1 108 473	1 108 473
	1 574 723	**16 212 145**

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

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

See note 26 for reconciliation of grants from National/Provincial Government.

16. Deferred income

At amortised cost		
Deferred income	4 620 000	4 840 000
At amortised cost		
Deferred income	220 000	220 000

The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 192 982 per annum excluding VAT (value added tax).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Deferred income (continued)

Non-current liabilities		
Deferred income	4 620 000	4 840 000
Current liabilities		
Deferred income	220 000	220 000

Figures in Rand	2016	2015

17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	41 863 989	3 885 575	-	773 224	-	46 522 788
Provision for Long Service Leave Bonus	4 074 011	648 436	(840 909)	302 676	483 766	4 667 980
	45 938 000	**4 534 011**	**(840 909)**	**1 075 900**	**483 766**	**51 190 768**

Reconciliation of provisions - 2015

	Opening Balance	Current Service Cost Restated	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	807 968	6 064 815	-	807 967	-	7 680 750
Provision for Long Service Leave Bonus	3 517 175	471 877	(117 459)	279 236	(76 818)	4 074 011
	4 325 143	**6 536 692**	**(117 459)**	**1 087 203**	**(76 818)**	**11 754 761**

Non Current Portion Landfill site provision	45 592 332	41 090 764
Current Portion Landfill site provision	930 456	773 225
Non-current portion of long service leave provision	4 509 478	3 485 581
Current portion of long service leave provision	158 502	588 430
	51 190 768	**45 938 000**

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The municipality appointed Messers One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2016 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The nett effect of the transfer of R 26 783 202 was indicated in the Statement of financial performance for the 2013 financial year. This amount was reduced due to the assets received as part of the transfer. The municipality appointed Messers One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2015 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

18. Payables from exchange transactions

Trade payables	18 224 538	17 687 239
Payments received in advanced Consumer Accounts	5 606 039	5 566 733
Accrued leave pay	11 047 962	8 401 559
Accrued bonus	2 905 614	2 668 655
Retention Creditors	14 064 652	9 572 659
	51 848 805	**43 896 845**

19. Consumer deposits

Electricity	5 119 806	5 531 346

The deposit relates to the guarantees or amounts paid by consumers on initial connection to municipal services. The deposit will be used to settle the debt in case of disconnection of services or payment default by the customer.

20. Revenue

Fines, Penalties and Forfeits	2 412 594	2 583 639
Government grants & subsidies	293 840 422	229 608 474
Interest received	10 162 645	9 826 125
Licences and permits	4 256 501	5 081 009
Other income	745 883	3 180 040
Property rates	22 395 062	19 271 378
Rental of facilities and equipment	1 412 843	1 198 621
Service charges	69 587 523	59 868 598
	404 813 473	**330 617 884**

Interest received - investment	10 162 645	9 826 125
Licences and permits	4 256 501	5 081 009
Other income	745 883	3 180 040
Rental of facilities and equipment	1 412 843	1 198 621
Service charges	69 587 523	59 868 598
The amount included in revenue arising from exchanges of goods or services are as follows:		
	86 165 395	**79 154 393**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	22 395 062	19 271 378
Property rates - penalties imposed	-	-
Equitable share and other grants		
Government grants & subsidies	293 840 422	229 608 474
Fines, Penalties and Forfeits	2 412 594	2 583 639
	318 648 078	**251 463 491**

21. Service charges

Sale of electricity	65 903 934	56 385 378
Refuse removal	3 683 589	3 483 220
	69 587 523	**59 868 598**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Other revenue

Other income	745 883	3 180 040

23. Investment revenue

Interest revenue		
Bank and investments	3 633 200	3 390 756
Interest charged on trade and other receivables	5 872 341	5 860 975
Interest received on Eskom deposits	657 104	574 394
	10 162 645	**9 826 125**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Property rates

Rates received

Rates levied	28 661 592	32 345 564
Less: Income forgone (Property rates rebates)	(6 266 530)	(13 074 186)
	22 395 062	**19 271 378**

Valuations

Residential	1 979 249 192	2 696 578 000
Commercial	850 751 264	939 854 900
State	56 245 045	527 904 570
Municipal	1 202 538 134	102 305 960
Small holdings and farms	3 194 309 145	3 104 059 150
Social	33 257 240	37 633 000
	7 316 350 020	**7 408 335 580**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general Supplementary roll was implemented on 1 July 2014.

The municipality is billing 11430 properties at zero tariff, the properties are classified as per Table below. The 8828 properties are unknown according to the Windeed records and the municipality Valuation Roll therefore the municipality will not bill such properties according to the Municipal Property Rates Act. The municpality is charging 156 properties at zero rate as they correctly belong EMLM. The 1385 and 7 properies in Elandooring B and A respectectively comprise of the RDP houses build on the Ntaional public work ERF which is awaiting transfer to the righfful beneficiaries. The note should be taken that Elandsdooring B is not yet proclaimed as such charging the property rates will still be expted by the MPRA. Noting that Hlogotlou and Motetema are proclaimed and under normal circumstances the municipality is expected to charged property rates, the municipality will undertake the investigation and eventually correct the ownership thereof.

Figures in Rand	2016	2015

24. Property rates (continued)

Area	Valuation Roll	Windeed	Notes
Groblersdal	Elias Motsoaledi local municipality	Elias Motsoaledi local municipality	156
Elansdooring B	Unknown	Owner known	1385
Motetema A	Unknown	Owner known	42
Elansdooring A	Unknown	Owner known	7
Hlogotlou A	Unknown	Owner known	457
Hlogotlou B	Unknown	Owner known	555
Total			**2602**
Elansdooring A	Unknown	Unknown	894
Motetema A	Unknown	Unknown	75
Kwangolovane (Rural area)	Unknown	Unknown	1371
Hlogotlou B	Unknown	Unknown	563
Phucukani	Unknown	Unknown	724
Buitenzorg	Unknown	Unknown	967
Elansdoring C	Unknown	Unknown	842
Farms	Unknown	Unknown	3
Uitspanning A	Unknown	Unknown	233
Rossenekaal	Unknown	Unknown	255
Elansdoring E (Rural area)	Unknown	Unknown	75
Elansdoring F(Rural area)	Unknown	Unknown	16
Hlogotlou A	Unknown	Unknown	186
Zaiplaas	Unknown	Unknown	934
Unknown	Unknown	Unknown	1522
Laairsdrift	Unknown	Unknown	168
Total			**8828**
GRAND TOTAL			**11430**

Notes	
1	Correctly charged at zero-rate
2	The property belongs National Department - Public Works (subdivison of land) RDP houses not transferred
3	Rural area - it is excluded for billing in terms of Property Rates Act
4	Rural area - it is excluded for billing in terms of Property Rates Act
5	Rural area - it is excluded for billing in terms of Property Rates Act

25. Grants and subsidies paid

	2016	2015
Expenditure on specific conditional grants received		
Financial Management Grant Expenses	-	1 187 579
Electricity Subsidies	313 378	644 000
	313 378	**1 831 579**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Government grants and subsidies

Operating grants		
Equitable share	212 959 000	166 920 000
Financial Management Grant (FMG)	1 600 000	1 600 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
DME - National Electrification Grant	10 000 000	2 879 126
EPWP Grant	1 163 000	1 187 000
	226 652 000	**173 520 126**
Capital grants		
Municipal Infrastructure Grant (MIG)	67 188 422	56 088 348
	293 840 422	**229 608 474**

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	14 637 422	4 885 770
Current-year receipts	53 102 000	65 840 000
Conditions met - transferred to revenue	(67 188 422)	(56 088 348)
Amount paid back to NRF	(551 000)	-
	-	**14 637 422**

Conditions still to be met - remain liabilities (see note 15).

Financial Management Grant (FMG)

Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

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

Municipal Systems Improvement Grant

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

Conditions still to be met - remain liabilities (see note 15).

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Government grants and subsidies (continued)

Land Affairs Grant

Balance unspent at beginning of year	466 250	466 250

Conditions still to be met - remain liabilities (see note 15).

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

DME - National Electrification Grant

Balance unspent at beginning of year	1 108 473	3 987 599
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	(2 879 126)
	1 108 473	**1 108 473**

Conditions still to be met - remain liabilities (see note 15).

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

EPWP GRANT

Current-year receipts	1 163 000	1 187 000
Conditions met - transferred to revenue	(1 163 000)	(1 187 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

DPLG/PHP Housing

Balance unspent at beginning of year	-	322 237
Amount paid back	-	(322 237)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. Employee related costs

Acting allowances	140 494	79 596
Basic	62 896 989	57 580 269
Bonus	4 882 719	4 719 296
Defined contribution plans	11 708 117	10 627 765
Housing benefits and allowances	136 931	92 976
Provision for Leave and bonus pay	3 208 860	1 198 571
Long-term benefits - incentive scheme	1 039 124	3 361 180
Medical aid - company contributions	3 477 681	2 906 342
Directors' remuneration as disclosed below	6 709 582	6 194 053
Overtime payments	3 085 191	1 813 805
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	1 542 217	1 773 514
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	2 983 229	2 792 437
SDL	818 213	831 402
Stipend Ward Committee - Temp Employees	3 528 000	3 484 000
Travel, motor car, accommodation, subsistence and other allowances	5 437 455	4 710 419
UIF	524 917	477 694
WCA	30 890	25 855
	112 150 609	**102 669 174**

Not Included in the above balances is (unless stated otherwise) the remuneration for the following S55 and S57 municipal employees:

Remuneration of Municipal Manager from 1 September 2014 (Ms RM Maredi)

Annual Remuneration	44 667	749 456
Backpay	821 675	-
Car Allowance	120 000	120 000
Non Pensionable Allowance	-	22 500
Contributions to Medical and Pension	61 626	56 022
Housing allowance	-	2 500
Travelling and Subsistence	-	4 912
Leave Payout	-	46 538
Contribution to UIF and SDL	11 749	11 188
Annual Bonus	65 718	35 312
Acting Allowance	-	29 160
Contribution to Bargaining Council	87	80
N.P.A	30 000	-
	1 155 522	**1 077 668**

Acting Municipal Manager until 31 August 2014 and Director Planning and Development (Mr NW Phala)

Annual Remuneration	872 126	799 256
Car Allowance	120 000	120 000
Acting Allowance (Municipal Manager)	-	18 000
Contributions to Pension Funds	65 410	59 944
Travelling and Subsistence	-	3 613
Contribution to Bargaining Council	87	-
Contribution to UIF and SDL	10 812	10 397
	110	1 668
	1 068 545	**1 012 878**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. Employee related costs (continued)

Remuneration of Chief Financial officer from 01 January 2016 (Mr PG Mapheto)

Annual Remuneration	320 486	-
Car Allowance	60 000	-
Contributions to Medical and Pension Funds	9 416	-
Contribution to UIF and SDL	4 429	-
Contribution to Bargaining Council	44	-
MGF	24 279	-
	418 654	**-**

Remuneration of Chief Financial officer (Mr. MS Monageng)

Annual Remuneration	-	434 663
Car Allowance	-	167 474
Travelling and Subsistence	-	1 634
Contribution to UIF and SDL	-	7 625
Termination pmt - leave	-	89 709
Contribution to Bargaining Council	-	46
	-	**701 151**

Remuneration of Acting Chief Financial Officer

Mr MP Mthimunye	160 921	34 318
Mr R Palmer	-	4 590
Mr ML Sebelemetja	-	160 063
Mr B Mohlamme	17 869	-
	178 790	**198 971**

Director Community Services (Mr. Tshesane)

Annual Remuneration	-	654 713
Car Allowance	-	136 403
Termination pmt - leave	-	76 253
Contributions to Pension Funds	-	98 207
Contribution to Medical Aid	-	19 497
Contribution to UIF and SDL	-	9 741
Contribution to Bargaining Council	-	73
	-	**994 887**

Remuneration of Acting Directors Social Services

Mr MM Mokganyetji	4 004	24 883
Ms Ms Mokhulwane	-	14 183
Mr C Coetzee	-	17 313
	4 004	**56 379**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. Employee related costs (continued)

Remuneration of Director of Corporate Services from 03 August 2015: Mr A Mayimele

Annual Remuneration	559 528	-
Backpay	76 607	-
Car Allowance	133 331	-
Contributions to Medical and Pension Funds	32 319	-
Travelling and Subsistence	1 350	-
Contribution to UIF and SDL	9 071	-
Contribution to Bargaining Council	80	-
NFMW	48 228	-
	860 514	**-**

Remuneration of Acting Directors Corporate Services

Mr L Mafiri	29 365	29 365

Director Infrastructure from July 2015 to January 2016 (Ms. RF Morudu)

Annual Remuneration	391 628	724 610
Car Allowance	116 632	197 847
Contributions to Medical and Pension Funds	-	38 613
Termination pmt - leave	70 199	-
Contribution to UIF and SDL	6 770	10 450
Annual Bonus	47 178	-
Contribution to Bargaining Council	51	80
MEPF	70 493	-
	702 951	**971 600**

Remuneration of Acting Director Infrastructure

Mr KK Mametsa	90 859	-

Director Strategic Management (Mr MM Kgwale)

Annual Remuneration	831 156	774 094
Car Allowance	108 000	108 000
Travel and subsistence	2 020	6 413
Contributions to Pension Funds	-	58 057
Annual Bonus	69 263	63 557
NPA	-	29 870
Contribution to UIF and SDL	11 029	10 743
MGF	62 337	-
Contribution to Bargaining Council	87	80
	1 083 892	**1 050 814**

Remuneration of Acting Director Strategic Management

Mr KJ Motha	-	30 019
Ms RP Mdluli	-	14 284
	-	**44 303**

Remuneration of Acting Director Planning and Development

Mr BO Sethojoa	30 793	56 038

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Remuneration of councillors

Mayor	792 807	787 981
Speaker	659 629	633 811
Executive Committee Councillors	3 967 522	3 889 980
Ordinary Councillors	13 463 861	13 370 996
Chief Whip	602 860	593 866
Cellphone allowances - To be recovered	(426 110)	(432 720)
	19 060 569	**18 843 914**

In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 51.

Remuneration of Mayor

Public Office Remuneration	120 000	257 038
Car Allowance	-	127 092
Basic Salary	496 691	347 184
Contributions to Medical and Pension Funds	130 504	93 717
Backpay	20 045	-
SDL	6 121	-
Other - Data, cellphone, adjustments, parking and subscriptions	19 446	51 721
	-	(88 771)
	792 807	**787 981**

Remuneration of Speaker

Public Office Remuneration	120 000	135 914
Car Allowance	146 992	160 772
Basic Salary	250 416	236 566
Contributions to Medical and Pension Funds	82 795	56 230
Backpay	16 637	-
Subsistence Allowance	2 220	-
SDL	4 695	-
Other - Data, cellphone, adjustments, parking and subscriptions	35 874	44 329
	659 629	**633 811**

Remuneration of Executive Committee

Public Office Remuneration	1 080 000	1 176 454
Car Allowance	869 094	928 758
Basic Salary	1 290 611	1 028 116
Contributions to Medical and Pension Funds	306 067	289 219
Subsistence Allowance	10 120	-
Other - Data, cellphone, adjustments, parking and subscriptions	279 167	467 433
Backpay	104 994	-
SDL	27 470	-
	3 967 523	**3 889 980**

Remuneration of Chief Whip

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Remuneration of councillors (continued)

Public Office Remuneration	120 000	134 919
Car Allowance	137 801	149 085
Basic Salary	221 654	191 214
Contributions to Medical and Pension Funds	83 999	75 783
Backpay	15 598	-
Subsistence Allowance	4 362	-
Other - Data, cell phone, adjustments, parking and subscriptions	19 446	42 865
	602 860	**593 866**

Remuneration of Ordinary Councilors

Public Office Remuneration	5 742 292	6 040 148
Car Allowance	2 829 269	2 853 101
Basic Salary	2 673 652	1 475 678
Contributions to Medical and Pension Funds	770 883	783 469
Back pay	351 918	-
Other - Data, cell phone, adjustments, parking and subscriptions	1 000 490	2 218 601
Subsistence Allowance	5 390	-
SDL	89 968	-
	13 463 862	**13 370 997**

29. Finance costs

Finance leases	2 268 424	674 890

Total interest expense, calculated using the effective interest rate of 11.25% on finance leases amounted to R 2 268 424 (2015: R 674 890).

30. Debt impairment

Contributions to debt impairment consumers	5 689 355	9 620 743
Contributions to debt impairment trade and other receivables including fines	2 440 701	1 736 171
	8 130 056	**11 356 914**

31. Bulk purchases

Electricity	60 360 649	51 852 916

Notes to the Annual Financial Statements

Figures in Rand		2016	2015

32. General expenses

Auditing - Internal audit fee		1 023 948	1 518 450
Advertising		507 316	472 368
Assets expensed		3 404 587	-
Auditors remuneration - Office of AG		2 706 835	2 984 500
Bank charges		349 165	288 401
Consumables	8.1	4 626 780	1 777 115
Community services - developmental and outreach programmes		2 204 875	3 319 287
Conferences and seminars		6 195 974	3 762 169
Consulting and professional fees		22 076 881	23 189 880
Bursaries		181 201	527 092
Electricity Water and Refuse - Municipal Consumption		879 125	981 250
Entertainment		397 191	57 535
Fines and penalties		-	4 700
IT expenses		6 504 491	6 043 682
Insurance		2 684 716	2 582 628
Magazines, books and periodicals		-	79 751
Motor vehicle expenses		1 206 618	3 660 185
Bad debt - Sundry debtors from exchange transactions written off		(501 523)	759 254
Postage and courier		244 067	242 775
Printing and stationery		5 141 024	1 690 403
Protective clothing		-	246 338
Operation of landfill site		4 180 897	3 523 932
Security (Guarding of municipal property)		8 939 657	7 734 650
Landfill site - additional interest landfill rehabilitation provision		773 224	807 967
Staff welfare		2 023 367	-
Subscriptions and membership fees		1 268 769	981 432
Telephone and fax		3 755 778	1 507 571
Town planning - Valuation costs		1 206 950	268 850
Training		652 171	1 640 074
Travel - Subsistance reimbursement		4 426 877	1 044 034
Uniforms		21 570	58 696
		87 082 531	**71 754 969**

33. Auditors' remuneration

Fees	2 706 835	2 984 500

34. Operating lease Income

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	805 917	1 020 876
- in second to fifth year inclusive	2 304 911	2 728 936
- later than five years	183 093	564 986
	3 293 921	**4 314 798**

Revenue for the year included Rental income from facilities and equipment	1 275 483	1 198 621

35. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

35. Operating surplus (deficit) (continued)

Operating lease charges		
Motor vehicles		
• Contractual amounts	-	4 510 330
Equipment		
• Contractual amounts	-	5 649 580
Plant and equipment		
• Contractual amounts	2 406 284	-
Lease rentals on operating lease - Other		
• Contractual amounts	5 969 523	(2 078 019)
	8 375 807	**8 081 891**

Loss on sale of property plant and equipment	(3 789 937)	(2 135 548)
Impairment on property, plant and equipment	402 926	649 448
Gain on sale of non-current assets held for sale and net assets of disposal groups	-	16 807 895
Depreciation on property, plant and equipment	49 728 016	49 170 333
Employee costs	131 211 178	121 513 088

36. Cash generated from operations

Surplus/(deficit)	39 366 385	(18 025 020)
Adjustments for:		
Depreciation and amortisation	49 728 016	49 170 333
Gain on sale of assets and liabilities	3 789 937	2 135 548
Gain on discontinued operations	-	16 807 895
Movements Landfill provision	3 885 575	-
Income from equity accounted investments	(2 677 590)	(4 226 053)
Fair value adjustments	2 012 059	(278 209)
Finance costs - Finance leases	2 268 424	674 890
Impairment deficit	402 926	649 448
Debt impairment	8 130 056	11 356 914
Movements in operating lease assets and accruals	4 658 799	6 872 782
Movements in retirement benefit assets and liabilities	4 720 616	2 595 371
Movements in provisions	458 717	556 836
Movement infair value adjustments	-	58 209
Waive SDM non cash	-	(16 807 893)
Non Cash Movement - Eskom deposit	-	(568 808)
Non Cash Movement - Valuation Heritage Capitalised	-	(12 452)
Non Cash Movement Nett asset register movement	18 034 716	19 287 505
Changes in working capital:		
Inventories	(752 229)	(347 807)
Receivables from exchange transactions	1 118 676	15 425 618
Consumer debtors	(13 931 040)	(9 543 517)
Other receivables from non-exchange transactions	(958 592)	(403 979)
Payables from exchange transactions	7 951 960	11 056 652
VAT	(16 108 871)	(13 352 826)
Unspent conditional grants and receipts	(14 637 422)	6 550 289
Consumer deposits	(411 540)	2 360 768
	97 049 578	**81 992 494**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - excluding VAT	20 389 781	7 835 579
Total capital commitments		
Already contracted for but not provided for	20 389 781	7 835 579
Total commitments		
Total commitments		
Authorised capital expenditure	20 389 781	7 835 579

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

Finance leases - as lessee (expense)

Finance lease payments represent rentals payable by the municipality for its fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

Minimum lease payments due		
- within one year	8 204 939	12 634 571
- in second to fifth year inclusive	6 553 667	21 057 612
	14 758 606	**33 692 183**

Operating leases - as lessee (expense)

- within one year	2 348 223	335 507
- in second to fifth year inclusive	587 056	-
	2 935 279	**335 507**

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.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

38. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with employees, members of the public and contractors/suppliers rendered services and goods to the municipality and is seeking damages of R11 601 217 (2016), R0 (2015), R4 476 429 (2014) and R 3 454 434 (2013).

The litigation matters for the year under review are detailed below as follows:

Maboe Rachidi
Claim for damages for contumelies, assault and loss of dignity. Total estimated claim: R300 000.00

EMS Envirotel Energy Management (Pty) Ltd
The plaintiff is suing the municipality for damages to the total estimated claim of : R 11 117 629.75

Oupa Nkosi
The plaintiff claim for damages to the total estimated claim of : R 81 887.85

Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of R 1 276 520. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Contingent asset for the year under review are detailed below as follows:

Shatadi Auctioneers and Asset Disposals
Shatadi Auctioneers was appointed to dispose/auction the stands belonging to the municipality. The auction was a success but Shatadi Auctioneers failed to pay the municipality the monies received from the auction. Summons were issued against the defendant. Total estimated claim : R 1 828 168.2

Ntlhane Gugu
The municipality is claiming from the employee who was overpaid after resignation, the letters of demand for the overpaid amount issued. The total estimated claim amounts to R 48 358.47

Thipakgolo Isaac Maditsi
The Plaintiff withdrew the action against the Municipality. Proceeding to bring Application for costs against the Plaintiff. Total estimated claim is still uncertain.

39. Related parties

Relationships

Remuneration of Councilors	Refer to note 28		
Councillors - Councillor remuneration		19 486 679	18 843 914
Post employment benefit plan for employees			
Post employment benefit plan for employees and/or other related parties - Refer to Note 6		35 483 987	30 763 371
S55 and S57 Employees remuneration			
Municipal Manager (Section 55) and Other Directors (Section 57) Remuneration - Refer to note 27		6 709 582	6 194 053

Notes to the Annual Financial Statements

40. Change in estimate

Property Plant and Equipment

Depreciable assets with a remaining useful life of one year or less have been revised by management by adding two years to the useful life at the beginning of the current period to reflect the actual pattern of service potential derived from the assets

The increase in depreciation due to adjustments to residual values of Property, Plant and Equipment amounts to R11 470 190

41. Prior period errors

The following prior year error was identified and adjusted retrospectively:

CORRECTED IN 2015/2016 FINANCIAL PERIOD

1. During the 2015 financial year end a finance lease was incorrectly accounted for as an operating lease. This resulted in an understatement of finance lease liability , finance costs, property plant and equipment, depreciation and unclaimed Input VAT. Operating lease expense was overstated.

2. During the year an adjustment was made for the reversal of an duplicated expenditure payment of R 190 631and the affected bank balance.

4. During the year a complete review was performed on the asset register. This resulted in changes in the assets capitalised as well as adjustments to additional assets accounted for that was previously not recorded.

The adjustments resulted in Land decreasing with R384,077 due to reclassification of land

The adjustments resulted in Buildings Carry value increasing with R3,593,476 and the accumulated depreciation increasing with R858,438
The change is due to changes in value of R1 118 845, new buildings found of R799 044 and reclassifications of R1 675 587 - carry values

The adjustments resulted in Infrastructure Carry value increasing with R92 808 668 and the accumulated depreciation increasing with R33 547 874
The changes is due to Work-in-Progress capitalised of R29 227 239 (10 377 788 during 2013/14) , changes in value of R37 356 538, assets found not previously on the FAR of R35 355 544, duplicates removed of R5 576 513 and reclassifications of R-3 554 140

The adjustments resulted in Community Assets Carry value increasing with R3 401 552 and the accumulated depreciation decreasing with R 864 229
The change is due to Work-in Progress capitalised of R2 895 131, changes in value of R764 187, removing duplicates and assets not verifiable of R259 353 and reclassifications of R1 587 - carry values

The change resulted in Other Assets Carry value increasing with R13 532 045 and the accumulated depreciation decreasing with R29 543 522
The change is due to value changes of R9 269 913 , assets found not previously on the FAR of R4 129 524, removing duplicates of R597 711 and reclassifications of R730 319 - carry values

The change resulted in Leased assets Carry value increasing with R20 286 484 and the accumulated depreciation increasing with R404 760
The change is due in reclassification of leased assets from Operating leases to Finance leases of R20 626 643 and removing an asset of R340 159 carry value

The change resulted in Investment properties increasing with R3 996 002.
The change is due to investment properties reclassified of R3 859 949 and the fair value adjustment added of R136 053

The change resulted in Heritage assets carry value increasing with R140 093.
The change is due to reclassification of R140 093.

The effects of correcting the errors are stated below.

Notes to the Annual Financial Statements

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41. Prior period errors (continued)

(The correction number is indicated in brackets next to the item adjusted.)

Statement of financial position	2016	2015
Accumulated Surplus (2)+(4)	-	(73 381 192)
Finance lease obligation (1)	-	(22 341 397)
Property Plant and Equipment (4)	-	133 238 145
VAT receivable (1)	-	2 660 799
Heritage assets (4)	-	140 093
Investment Property (4)	-	3 996 002
Cash & Bank: Prior years (3)	-	190 632
	-	**44 503 082**

Statement of Financial Performance		
Depreciation (4)	-	15 316 596
Finance costs (1)	-	674 890
Lease rentals on operating lease (1)	-	(2 078 018)
Additional revaluation surplus (4)	-	(136 053)
Cleansing services (3)	-	(190 632)
	-	**13 586 783**

42. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 13, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying requirements for service delivery funding, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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. The municipality is able to cover the current and future commitments from available funds at a ratio of 0.76 times from the accumulated investment balances.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Interest rate risk

42. Risk management (continued)

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

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

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

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

Financial instrument	2016	2015
Receivables - From Exchange Transactions	1 236 987	2 908 660
Receivables - From Non Exchange Transactions	3 103 550	3 032 296
Consumer Debtors - From Exchange Transactions	8 665 037	6 137 351
Consumer Debtors - From Non Exchange Transactions	15 879 980	12 606 685

43. Going concern

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

44. Events after the reporting date

There were no material non-adjusting events after the reporting period.

45. Unauthorised expenditure

Opening balance	-	5 766 279
Incurred during the year	53 997 955	5 436 384
Condoned by council (Resolution No: F15/16-38)	-	(11 202 663)
	53 997 955	**-**

The above is due to the misclassification of the depreciation to the amount of R 35 million in the appropriation statement and the difference of R 19 milion is also due missclassifcation of expenditures per vote. The overall municipal budget is not overspent however the expenditures will be reported to Council in terms of the MFMA.

46. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest paid on late payments	15 845	1 978
Fruitless and wasteful expenditure - Interest paid on late payments Condoned	(15 845)	(1 978)
Fruitless and wasteful expenditure - Debit orders for expired contracts	209 049	-
	209 049	**-**

Analysis of expenditure awaiting condonation per age classification

Current year	224 894	2 583 765
Prior years	11 614 706	9 030 941
	11 839 600	**11 614 706**

Notes to the Annual Financial Statements

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46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest paid due to payment process 2015	Condoned by Council	1 978
Payment made to the lawyer for settlement of CFO case	To be condoned by Council	2 583 765
		2 585 743

47. Irregular expenditure

Opening balance - Adjusted and restated (7)	69 990 685	49 280 366
Add: Irregular Expenditure - current year	64 948 315	22 748 812
Less: Amounts condoned - 2015	-	(2 038 493)
	134 939 000	**69 990 685**

Analysis of expenditure awaiting condonation per age classification

Current year	64 948 315	22 748 812
Prior years	69 990 685	49 236 179
	-	44 187
	-	(2 038 493)
	134 939 000	**69 990 685**

Details of irregular expenditure

	Disciplinary steps taken	
2012 Payment on Security Services	Expenditure recoverable	811 376
2012 Excess payment on Internal Audit	Under investigation	893 149
2012 Excess payment on Electronic filling system	Under investigation	591 415
2013 Payment on Repairs and Maintenance	Under investigation	356 575
2013 Excess overtime paid	Under investigation - Restatement	44 187
2013 Excess payment on Internal Audit	Under Investigation	173 947
2013 SCM procedures not followed	Under investigation	17 939 970
2013 SCM procedures not followed	Under investigation	3 245 709
2014 SCM procedures not followed	Under investigation	25 224 038
2015 SCM procedures not followed	Under investigation	15 633 819
2015 Overpayment of Councilors cellphone	Under investigation	432 720
2015 SCM Payments made to connected persons or companies - conflict of interest	Investigated	6 603 496
2015 SCM procedures not followed	Condoned	(2 038 493)
		69 911 908

48. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

Losses incurred - units			9 915 702	10 458 734
% loss incurred			14,030 %	15,370 %
Purchased units			(70 676 711)	(68 039 403)
Sold units			60 760 768	57 580 669
Losses incurred - rand value	-	-	8 330 222	8 858 912
% loss incurred	-	-	14,030 %	15,370 %
Purchased units rand value	-	-	(59 374 357)	(57 525 404)
Sold units rand value	-	-	58 541 335	48 666 492

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

The above losses are the result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, as a result the losses are not recoverable.

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

SALGA Fees

Current year subscription / fee	1 162 269	981 433
Amount paid - current year	(1 162 269)	(981 433)
	-	-

PAYE and UIF

Current year subscription / fee	15 758 609	13 333 414
Amount paid - current year	(15 758 609)	(13 333 414)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27 461 512	17 074 797
Amount paid - current year	(27 461 512)	(17 074 797)
	-	-

VAT

VAT receivable	12 153 198	28 219 164

VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

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

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mahlangu MD	42	372	414
Cllr Mahlangu AB	174	1 772	1 946
Cllr Maloba AM	106	1 006	1 112
Cllr Mahlase KS	68	687	755
	390	**3 837**	**4 227**

30 June 2015	Non Current - Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Moloba A	63	810	873
Cllr Mahlase K	37	443	480
Cllr Mahlangu TS	20	243	263
	120	**1 496**	**1 616**

Notes to the Annual Financial Statements

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49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	4 840 000	5 060 000

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

50. Deviation from supply chain management regulations

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

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

Goods and services were procured through quotations totaling **R1 282 319.07** during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations..

Notes to the Annual Financial Statements

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51. Public Office Holders Remuneration

All Public Officers Remuneration Disclosure

All Public Officers Remuneration Disclosure

	Basic Salary	Backpay	Public Office Allowance	Travel Allowance	Other Receipts	Pension Fund Contribution	Medical Aid Contribution	Skills Contribution	Total package 2016
Non-Executive Members									
Cllr JL Mathebe	8 296	-	10 000	2 783	(8 755)	-	-	68	12 392
Cllr TM Phahlamohlaka (Chief Whip)	221 654	15 598	120 000	137 801	19 446	51 751	32 249	4 362	602 861
Cllr TS Mahlangu	250 416	16 637	120 000	146 992	38 094	55 900	26 895	4 695	659 629
Cllr JL Mathebe (Mayor)	496 691	20 045	120 000	-	19 446	94 196	36 308	6 121	792 807
Cllr R Alberts (Exco Member)	53 206	9 362	120 000	75 948	60 190	26 128	-	2 310	347 144
Cllr TJ Lepota (Exco Member)	250 040	15 598	120 000	137 801	31 694	55 615	-	4 333	615 081
Cllr NN Mahlangu (Exco Member)	89 344	9 362	120 000	75 948	20 562	30 733	-	2 241	348 190
Cllr EM Masemola (Exco Member)	229 142	15 597	120 000	137 805	19 446	52 306	24 202	4 360	602 858
Cllr MK Tshoshane	20 831	-	60 000	26 943	15 840	-	-	882	124 496
Cllr AB Mahlangu	104 886	9 682	120 000	70 884	35 604	-	-	2 507	343 563
Cllr J Mahlangu	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Cllr MD Mahlangu	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr KS Mahlase	76 201	8 734	120 000	70 884	28 867	28 684	-	2 104	335 474
Cllr MN Malatji	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Clr MS Malekane	149 335	6 806	120 000	55 234	19 446	22 351	-	2 689	375 861
Cllr AM Maloba	14 689	6 806	120 000	55 234	19 446	19 550	23 697	1 594	261 016
Cllr DS Mamaila	35 585	6 806	120 000	55 234	19 446	22 351	-	1 594	261 016
Cllr MS Marapi	35 585	6 806	120 000	55 234	21 684	22 351	-	1 552	263 212
Cllr MS Maselela	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Cllr HS Mashifane	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr MS Mashilo	57 937	7 544	120 000	55 234	26 149	-	-	1 891	268 755
Cllr WM Matemane	-	6 806	109 992	55 234	19 446	15 034	52 910	1 708	261 130
Cllr SM Mathale	57 937	7 544	120 000	55 234	23 580	-	-	1 891	266 186
Cllr MS Matlala	35 585	6 806	120 000	55 234	29 652	22 351	-	1 610	271 238
Cllr TS Matsepe	57 937	7 544	120 000	55 234	24 053	-	-	1 891	266 659
Cllr MP Matshipa	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr ST Matsomane	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr SH Mehlape	200 403	11 703	120 000	129 409	26 142	47 723	32 335	4 062	571 777
Cllr CT Mhlanga	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Cllr I Mkhaliphi	5 144	-	30 000	13 472	7 920	5 271	-	362	62 169
Cllr TN Mmutle	35 590	6 806	120 000	55 230	19 446	22 351	-	1 552	260 975
Cllr VV Moganedi	35 585	6 806	120 000	55 234	21 247	22 351	-	1 552	262 775
Cllr MP Mokgabudi	35 585	6 806	120 000	55 234	19 446	22 351	-	1 594	261 016
Cllr MP Mokone	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr OE Motau	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Cllr MG Motlafe	19 002	6 806	120 000	55 234	24 651	19 960	18 974	1 588	266 215
Cllr DM Mzinyane	104 886	9 682	120 000	70 884	21 810	-	-	2 507	329 769
Cllr ME Nduli	76 201	8 734	120 000	70 884	19 446	28 684	-	2 072	326 021
Cllr SF Nkosi	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr TJ Ntuli	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr ML Phala	57 937	7 544	120 000	55 234	21 570	-	-	1 891	264 176
Cllr A Phatlane	77 148	8 734	120 000	70 883	19 758	27 737	-	2 081	326 341
Cllr RJ Podile	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr MF Rakoena	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr MW Ramphisa	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr SL Skosana	-	6 806	112 300	55 234	19 446	15 218	50 419	1 694	261 117

51. Public Office Holders Remuneration (continued)

Cllr LH Tshoma	35 585	6 806	120 000	55 234	22 618	22 351	-	1 552	264 146
Cllr MS Tshoma	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
	38 221	6 806	120 000	52 598	9 031	22 351	-	1 441	250 448
Cllr GD Matjomane (Exco Member)	250 038	15 598	120 000	137 802	33 827	55 615	-	4 333	617 213
Cllr FM Mogotji (Exco Member)	120 077	10 376	120 000	75 948	19 446	-	-	2 707	348 554
Cllr MJ Mohlala (Exco Member)	89 344	9 362	120 000	75 948	50 229	30 734	-	2 241	377 858
Cllr JJ Skosana (Exco Member)	120 077	10 377	120 000	75 948	19 446	-	-	2 706	348 554
Cllr MD Tladi (Exco Member)	89 344	9 362	120 000	75 948	34 446	30 734	-	2 241	362 075
Cllr MZ Buta	77 825	8 734	120 000	70 884	22 127	27 061	-	2 091	328 722
Cllr NA Motong	47 521	4 311	90 000	41 762	8 521	-	-	1 387	193 502
Cllr MT Mokganyetsi	53 895	7 544	120 000	53 887	19 446	-	-	1 840	256 612
Cllr RSA Kabinie	104 886	9 682	120 000	70 884	19 446	-	-	2 507	327 405
Cllr JP Kotze	57 936	7 544	120 000	55 234	19 446	-	-	1 891	262 051
Cllr MF Madihlaba	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr MM Maepa	35 585	6 806	120 000	55 234	19 446	22 351	-	1 552	260 974
Cllr I mokgomogane	57 937	7 544	120 000	55 234	19 446	-	-	1 891	262 052
Cllr MG Phetla	31 594	-	50 000	23 801	-	-	-	756	106 152
	4 953 450	**509 191**	**7 182 292**	**3 983 158**	**1 351 724**	**1 076 258**	**297 989**	**132 615**	**19 486 679**