



**NAMA KHOI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**GENERAL INFORMATION**

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**NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES**

Nama Khoi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

**LEGAL FORM OF ENTITY**

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act. (Act no 117 of 1998)

**MUNICIPAL MANAGER**

SA Titus (Acting)

**CHIEF FINANCE OFFICER (CFO)**

WJ Bowers (Acting)

**REGISTERED OFFICE**Private Bag X17  
Springbok  
8240**AUDITORS**Auditor-General  
Private Bag X5013  
Kimberley  
8300**BANKERS**

ABSA

**ATTORNEYS**Neville Cloete Attorneys  
Webber Wentzel  
Shreuders Attorneys  
Abrahams & Gross  
Wessels & Smith  
Towell & Groenewaldt  
Bower & Kie**RELEVANT LEGISLATION**Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**GENERAL INFORMATION**

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**MEMBERS OF THE MAYORAL COMMITTEE**

JF van Wyk (Resigned 10/08/2016)  
LF Faber  
WS Jordaan  
FX Cupido (Resigned 10/08/2016)  
D Joseph (Appointed 15/08/2016)  
S Kleinbooi (Appointed 15/08/2016)

**MEMBERS OF THE MUNICIPALITY**

Ward

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Proportional

Councillor

HS Apollis (Resigned 10/08/2016)  
JE van der Heever (Appointed 15/08/2016)  
EF Maritz (Resigned 10/08/2016)  
DA Markus (Appointed 15/08/2016)  
FX Cupido (Resigned 10/08/2016)  
CE Gertze (Appointed 15/08/2016)  
R Kritzinger  
S Kleinbooi  
G Cloete (Resigned 10/08/2016)  
CG Coetzee (Appointed 15/08/2016)  
SD Hoskin (Resigned 10/08/2016)  
Y van Zyl (Appointed 15/08/2016)  
WJ Goedeman ((Resigned 10/08/2016)  
P van Reenen (Appointed 15/08/2016)  
GY Pieters  
LF Faber (Appointed 15/08/2016)  
G Coetzee  
D Joseph (Appointed 15/08/2016)  
SJC van Wyk  
Z de Jongh (Appointed 15/08/2016)  
L Vries (Appointed 15/08/2016)  
SH Ruiters (Appointed 15/08/2016)  
SW Lubbe (Resigned 10/08/2016)  
KS Ventura (Resigned 10/08/2016)  
M Diedericks (Resigned 10/08/2016)  
WS Jordaan (Appointed 15/08/2016)

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

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**ABBREVIATIONS**

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

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

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I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 4 to 86 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and am satisfied that the Municipality can 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 remuneration of Councillors and in-kind benefits 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.

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**Municipal Manager**

**31 August 2016**

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note(s)	2016 R	2015 Restated* R
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	8	917 413	960 525
Receivables from non-exchange transactions	9	5 482 066	5 316 694
Receivables from exchange transactions	10	12 831 053	10 838 438
Taxes	11	12 290 529	8 682 141
Cash and cash equivalents	12	18 995 442	30 020 459
		<b>50 516 503</b>	<b>55 818 257</b>
<b>Non-Current Assets</b>			
Investment property	2	23 885 657	24 941 275
Property, plant and equipment	3	585 202 494	603 069 384
Intangible assets	5	90 887	141 554
Operating lease asset	6	108 124	49 158
		<b>609 287 162</b>	<b>628 201 371</b>
<b>Total Assets</b>		<b>659 803 665</b>	<b>684 019 628</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Other financial liabilities	16	404 519	930 439
Finance lease obligation	14	216 716	106 574
Payables from exchange transactions	17	186 623 531	163 770 803
Consumer deposits	19	2 801 390	2 394 647
Employee benefit obligation	13	948 299	913 408
Unspent conditional grants and receipts	15	2 979 770	25 399 120
Provisions	18	1 031 714	1 304 045
		<b>195 005 939</b>	<b>194 819 036</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	16	-	427 940
Finance lease obligation	14	244 426	88 104
Employee benefit obligation	13	19 694 883	18 655 660
Provisions	18	23 388 699	21 734 080
		<b>43 328 008</b>	<b>40 905 784</b>
<b>Total Liabilities</b>		<b>238 333 947</b>	<b>235 724 820</b>
<b>Net Assets</b>		<b>421 469 718</b>	<b>448 294 808</b>
Accumulated surplus		421 469 718	448 294 808

\* See Note

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**STATEMENT OF FINANCIAL PERFORMANCE**

	Note(s)	2016 R	2015 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	113 539 694	96 775 138
Agency services		1 307 101	1 191 406
Licences and permits		1 260 853	1 255 862
Rental income		1 830 578	701 601
Other income		2 862 653	2 010 073
Interest received	23	7 107 843	5 944 619
<b>Total revenue from exchange transactions</b>		<b>127 908 722</b>	<b>107 878 699</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	34 187 763	35 813 662
<b>Transfer revenue</b>			
Government grants & subsidies	24	64 897 911	48 899 924
Fines		446 427	505 895
<b>Total revenue from non-exchange transactions</b>		<b>99 532 101</b>	<b>85 219 481</b>
<b>Total revenue</b>	20	<b>227 440 823</b>	<b>193 098 180</b>
<b>Expenditure</b>			
Employee related costs	25	(76 091 397)	(65 797 740)
Remuneration of councillors	26	(5 057 830)	(4 738 762)
Depreciation and amortisation	27	(40 015 145)	(38 167 155)
Finance costs	28	(2 946 140)	(7 085 062)
Debt Impairment	29	(9 377 208)	(22 686 109)
Bulk purchases	30	(84 145 507)	(79 371 622)
Contracted services	31	(1 493 257)	(1 040 321)
Finance cost - Non Current Liabilities		(1 382 287)	(871 950)
General Expenses	32	(35 040 020)	(35 637 234)
<b>Total expenditure</b>		<b>(255 548 791)</b>	<b>(255 395 955)</b>
<b>Operating deficit</b>		<b>(28 107 968)</b>	<b>(62 297 775)</b>
Gain (loss) on disposal of assets and liabilities		122 952	(47 289)
Actuarial gains	13	1 361 058	1 623 270
Inventories losses/write-downs		(201 133)	(419 527)
		<b>1 282 877</b>	<b>1 156 454</b>
<b>Deficit for the year</b>		<b>(26 825 091)</b>	<b>(61 141 321)</b>

\* See Note

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Accumulated surplus R</b>	<b>Total net assets R</b>
<b>Balance at 01 July 2014</b>	<b>451 956 008</b>	<b>451 956 008</b>
Changes in net assets		
Correction of Error	57 480 121	57 480 121
Surplus for the year	(61 141 321)	(61 141 321)
<b>Restated* Balance at 01 July 2015</b>	<b>448 294 809</b>	<b>448 294 809</b>
Changes in net assets		
Surplus for the year	(26 825 091)	(26 825 091)
<b>Balance at 30 June 2016</b>	<b>421 469 718</b>	<b>421 469 718</b>

\* See Note



**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**CASH FLOW STATEMENT**

	Note(s)	2016 R	2015 Restated* R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxation		33 166 747	34 691 268
Sale of goods and services		108 951 807	91 620 757
Grants		42 478 561	88 319 056
Interest income		1 784 635	5 944 619
Other receipts		7 119 361	19 084 418
		193 501 111	239 660 118
<b>Payments</b>			
Employee costs		(77 587 782)	(68 032 503)
Suppliers		(102 718 738)	(92 636 835)
Finance costs		(2 946 140)	(7 085 062)
		(183 252 660)	(167 754 400)
<b>Net cash flows from operating activities</b>	33	<b>10 248 451</b>	<b>71 905 718</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(21 115 635)	(63 698 487)
Purchase of other intangible assets		(11 167)	-
<b>Net cash flows from investing activities</b>		<b>(21 126 802)</b>	<b>(63 698 487)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans repaid		(1 144 316)	-
Consumer deposits		406 743	2 394 647
Loans raised		590 905	194 678
<b>Net cash flows from financing activities</b>		<b>(146 668)</b>	<b>2 589 325</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11 025 019)</b>	<b>10 796 556</b>
Cash and cash equivalents at the beginning of the year		30 020 459	19 223 903
<b>Cash and cash equivalents at the end of the year</b>	12	<b>18 995 440</b>	<b>30 020 459</b>

\* See Note

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2016	Actual Outcome
								as % of Final Budget
	R	R	R	R	R	R	R	%
<b>ASSETS</b>								
<b>Current Assets</b>								
	28,913,000	-	28,913,000	-	-	28,913,000	18,995,442	-34.30%
	73,686,271	-	73,686,271	-	-	73,686,271	18,313,119	100.00%
	12,054,744	-	12,054,744	-	-	12,054,744	12,290,529	1.96%
	1,214,737	-	1,214,737	-	-	1,214,737	917,413	-24.48%
<b>Total Current Assets</b>	<b>115,868,752</b>	<b>-</b>	<b>115,868,752</b>	<b>-</b>	<b>-</b>	<b>115,868,752</b>	<b>50,516,503</b>	<b>-56.40%</b>
<b>Non-Current Assets</b>								
	471,820	-	471,820	-	-	471,820	-	100.00%
	254,248	-	254,248	-	-	254,248	23,885,657	9294.63%
	607,860,179	-	607,860,179	-	-	607,860,179	585,202,494	-3.73%
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	197,168	-	197,168	-	-	197,168	90,887	-53.90%
	-	-	-	-	-	-	108,124	100.00%
<b>Total Non-Current Assets</b>	<b>608,783,415</b>	<b>-</b>	<b>608,783,415</b>	<b>-</b>	<b>-</b>	<b>608,783,415</b>	<b>609,287,162</b>	<b>0.08%</b>
<b>TOTAL ASSETS</b>	<b>724,652,167</b>	<b>-</b>	<b>724,652,167</b>	<b>-</b>	<b>-</b>	<b>724,652,167</b>	<b>659,803,665</b>	<b>-8.95%</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
	-	-	-	-	-	-	621,235	-100.00%
	1,583,192	-	1,583,192	-	-	1,583,192	2,801,390	76.95%
	103,610,337	-	103,610,337	-	-	103,610,337	186,623,531	80.12%
	10,373,753	-	10,373,753	-	-	10,373,753	4,959,783	-52.19%
<b>Total Current Liabilities</b>	<b>115,567,282</b>	<b>-</b>	<b>115,567,282</b>	<b>-</b>	<b>-</b>	<b>115,567,282</b>	<b>195,005,939</b>	<b>68.74%</b>
<b>Non-Current Liabilities</b>								
	2,068,071	-	2,068,071	-	-	2,068,071	244,426	-88.18%
	36,967,347	-	36,967,347	-	-	36,967,347	43,083,582	16.54%
<b>Total Non-Current Liabilities</b>	<b>39,035,418</b>	<b>-</b>	<b>39,035,418</b>	<b>-</b>	<b>-</b>	<b>39,035,418</b>	<b>43,328,008</b>	<b>11.00%</b>
<b>TOTAL LIABILITIES</b>	<b>154,602,700</b>	<b>-</b>	<b>154,602,700</b>	<b>-</b>	<b>-</b>	<b>154,602,700</b>	<b>238,333,947</b>	<b>54.16%</b>
<b>NET ASSETS</b>								
	570,049,467	-	570,049,467	-	-	570,049,467	421,469,718	-26.06%
	-	-	-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>570,049,467</b>	<b>-</b>	<b>570,049,467</b>	<b>-</b>	<b>-</b>	<b>570,049,467</b>	<b>421,469,718</b>	<b>-26.06%</b>

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

Notes	Original Budget	Budget	Final Adjustment	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement	Final Budget	Actual Outcome	Actual Outcome
		Adjustments (i.t.o. s28 and s31 of the MFMA)	Budget		(i.t.o. Council approved by-law)		2016	as % of Final Budget
	R	R	R	R	R	R	R	%
<b>REVENUE</b>								
Property Rates	35,948,857	(1)	35,948,856	-	(1,884,109)	34,064,747	34,187,763	0.36%
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-
Service Charges - Electricity Revenue	67,453,395	2,060,361	69,513,756	-	(1,083,930)	68,429,826	65,842,014	-3.78%
Service Charges - Water Revenue	32,153,458	14	32,153,472	-	(3,295,656)	28,857,816	26,918,356	-6.72%
Service Charges - Sanitation Revenue	12,017,032	1,078,330	13,095,362	-	(2,616,707)	10,478,655	9,935,066	-5.19%
Service Charges - Refuse Revenue	20,187,032	(5,088,207)	15,098,825	-	(3,594,193)	11,504,632	10,844,259	-5.74%
Service Charges - Other Revenue	-	-	-	-	-	-	-	-
Rental of Facilities and Equipment	966,101	1,349,005	2,315,105	-	4	2,315,109	1,830,578	-20.93%
Interest Earned - External Investments	678,910	915,038	1,593,948	-	1	1,593,949	1,784,635	11.96%
Interest Earned - Outstanding Debtors	2,003,932	3,420,702	5,424,634	-	-	5,424,634	5,323,208	-1.87%
Fines	81,024	92,298	173,322	-	-	173,322	446,427	157.57%
Licences and Permits	1,342,222	(78,447)	1,263,775	-	2	1,263,777	1,260,853	-0.23%
Agency Services	1,169,258	42,690	1,211,949	-	-	1,211,949	1,307,101	7.85%
Transfers Recognised - Operational	42,001,886	43,195	42,045,081	-	(72,081)	41,973,000	43,268,510	3.09%
Other Revenue	28,415,534	(19,492,934)	8,922,601	-	905,621	9,828,222	4,250,409	-56.75%
Gains on Disposal of PPE	-	117,175	117,175	-	-	117,175	122,952	4.93%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>244,418,642</b>	<b>(15,540,782)</b>	<b>228,877,861</b>	<b>-</b>	<b>(11,641,048)</b>	<b>217,236,813</b>	<b>207,322,131</b>	<b>-4.56%</b>
<b>EXPENDITURE</b>								
Employee Related Costs	64,636,691	4,423,242	69,059,933	-	1,508	69,061,441	76,091,397	10.18%
Remuneration of Councillors	4,844,374	262,378	5,106,752	-	-	5,106,752	5,057,830	-0.96%
Debt Impairment	8,517,765	3	8,517,768	-	-	8,517,768	9,377,208	10.09%
Depreciation and Asset Impairment	38,382,377	(5)	38,382,372	-	-	38,382,372	40,015,145	4.25%
Finance Charges	2,155,295	(2,077,070)	78,225	-	-	78,225	2,946,140	3666.24%
Bulk Purchases	117,028,580	(20,743,063)	96,285,518	-	-	96,285,518	84,145,507	-12.61%
Other Materials	10,677,486	(1,402,565)	9,274,921	-	1,110,704	10,385,625	-	-100.00%
Contracted Services	2,619,612	(851,934)	1,767,678	-	80,931	1,848,609	1,493,256	-19.22%
Other Expenditure	39,188,273	6,534,319	45,722,592	-	(12,834,191)	32,888,401	36,650,144	11.44%
<b>Total Expenditure</b>	<b>288,050,453</b>	<b>(13,854,695)</b>	<b>274,195,759</b>	<b>-</b>	<b>(11,641,048)</b>	<b>262,554,711</b>	<b>255,776,627</b>	<b>-2.58%</b>
<b>Surplus/(Deficit)</b>	<b>(43,631,811)</b>	<b>(1,686,087)</b>	<b>(45,317,898)</b>	<b>-</b>	<b>-</b>	<b>(45,317,898)</b>	<b>(48,454,496)</b>	<b>6.92%</b>
Transfers Recognised - Capital	30,851,055	(8,711,051)	22,140,004	-	-	22,140,004	21,629,401	-2.31%
Contributions Recognised - Capital	-	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>(12,780,756)</b>	<b>(10,397,138)</b>	<b>(23,177,894)</b>	<b>-</b>	<b>-</b>	<b>(23,177,894)</b>	<b>(26,825,095)</b>	<b>15.74%</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Taxation</b>	<b>(12,780,756)</b>	<b>(10,397,138)</b>	<b>(23,177,894)</b>	<b>-</b>	<b>-</b>	<b>(23,177,894)</b>	<b>(26,825,095)</b>	<b>15.74%</b>
Attributable to Minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>(12,780,756)</b>	<b>(10,397,138)</b>	<b>(23,177,894)</b>	<b>-</b>	<b>-</b>	<b>(23,177,894)</b>	<b>(26,825,095)</b>	<b>15.74%</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(12,780,756)</b>	<b>(10,397,138)</b>	<b>(23,177,894)</b>	<b>-</b>	<b>-</b>	<b>(23,177,894)</b>	<b>(26,825,095)</b>	<b>15.74%</b>

**NAMA KHOI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2016	Actual Outcome	
								as % of Final Budget	
	R	R	R	R	R	R	R	%	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	189,925,149	(19,095,803)	170,829,346	-	-	170,829,346	149,237,915	-12.64%	
Government - Operating	42,001,886	43,195	42,045,081	-	-	42,045,081	42,478,561	1.03%	
Government - Capital	22,111,055	28,949	22,140,004	-	-	22,140,004	-	-100.00%	
Interest	2,682,843	3,984,810	6,667,653	-	-	6,667,653	1,784,635	-73.23%	
Dividends	-	-	-	-	-	-	-	-	
<b>Payments</b>									
Suppliers and Employees	(236,501,728)	11,798,134	(224,703,594)	-	-	(224,703,594)	(180,306,520)	-19.76%	
Finance Charges	(565,295)	487,070	(78,225)	-	-	(78,225)	(2,946,140)	3666.26%	
Transfers and Grants	-	-	-	-	-	-	-	-	
<b>Net Cash from/(used) Operating Activities</b>	<b>48</b>	<b>19,653,909</b>	<b>(2,753,644)</b>	<b>16,900,265</b>	<b>-</b>	<b>-</b>	<b>16,900,265</b>	<b>10,248,451</b>	<b>-39.36%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-	
<b>Payments</b>									
Capital Assets	(22,111,055)	(1,213,599)	(23,324,654)	-	-	(23,324,654)	(21,126,802)	-9.42%	
<b>Net Cash from/(used) Investing Activities</b>	<b>48</b>	<b>(22,111,055)</b>	<b>(1,213,599)</b>	<b>(23,324,654)</b>	<b>-</b>	<b>-</b>	<b>(23,324,654)</b>	<b>(21,126,802)</b>	<b>-9.42%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short Term Loans	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	590,905	100.00%	
Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-	406,743	100.00%	
<b>Payments</b>									
Repayment of Borrowing	(1,590,000)	659,561	(930,439)	-	-	(930,439)	(1,144,316)	22.99%	
<b>Net Cash from/(used) Financing Activities</b>	<b>48</b>	<b>(1,590,000)</b>	<b>659,561</b>	<b>(930,439)</b>	<b>-</b>	<b>-</b>	<b>(930,439)</b>	<b>(146,668)</b>	<b>-84.24%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>									
Cash and Cash Equivalents at the year begin:	4,954,430	1,873,550	6,827,980	-	-	6,827,980	30,020,459	339.67%	
Cash and Cash Equivalents at the year end:	907,284	(1,434,131)	(526,848)	-	-	(526,848)	18,995,440	-3705.49%	

## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

##### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

##### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the

## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

#### **1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

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**ACCOUNTING POLICIES**

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><b><u>Related Party Disclosure</u></b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><b><u>Service Concession Arrangements: Grantor</u></b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><b><u>Statutory Receivables</u></b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><b><u>Accounting by Principles and Agents</u></b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p><b><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></b></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service</p>	Unknown

## NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### ACCOUNTING POLICIES

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	concession asset at the end of the arrangement, where the arrangement does not constitute a lease.	
	No such transactions or events are expected in the foreseeable future.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

#### 1.9. RESERVES

##### 1.9.1. *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

#### 1.10. LEASES

##### 1.10.1. *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.



## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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#### **1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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#### **1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
-

## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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- (b) The Municipality 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.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

#### **1.15. EMPLOYEE BENEFITS**

##### **(a) Pension and Retirement Fund Obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

##### **(b) Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

## **NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **ACCOUNTING POLICIES**

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#### **(c) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **(d) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **(e) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

#### **(f) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

### **1.16. PROPERTY, PLANT AND EQUIPMENT**

#### **1.16.1. Initial Recognition**

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

## NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### ACCOUNTING POLICIES

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year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired is initially measure 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.16.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.16.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Sanitation	10-55	General Vehicles	7-10

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### ACCOUNTING POLICIES

Railways	30	Specialised Vehicles	10-15
Electricity	10-50	Plant & Equipment	2-15
Water	5-80	Computers	5-10
Roads, pavements and bridges	5-80	Furniture and other office equipment	5-15
Sewerage/Solid Waste	5-80	Emergency Equipment	5-10
		Other assets	5-15
<b>Community</b>		<b>Buildings</b>	
Recreation Facilities	10-40	Buildings Improvements	5-50
Community Facilities	5-50	<b>Finance lease assets</b>	
		Office equipment	3-5
		Other assets	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### 1.16.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

### 1.17. INTANGIBLE ASSETS

#### 1.17.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

## NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### ACCOUNTING POLICIES

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- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

#### 1.17.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 1.17.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	3-5
Computer Software Licenses	2-5

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#### **1.17.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.17.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

### **1.18. INVESTMENT PROPERTY**

#### **1.18.1. Initial Recognition**

Investment property shall be 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 entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.18.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.



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**1.18.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	5-30

**1.18.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.19.1. Cash generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological,

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market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

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#### 1.19.2. *Non-cash-generating assets*

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.20. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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#### **1.21. INVENTORIES**

##### **1.21.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.21.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by Telemetry readings and the calculated volume in the distribution network. Where telemetry reading is not available, water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

#### **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**ACCOUNTING POLICIES**

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**1.22.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.22.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.22.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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#### **1.22.2.2. Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.22.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.22.2.4. Non-Current Investments**

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### **1.22.3. De-recognition**

##### **1.22.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset,

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the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.22.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.23. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.23.1. *Initial Recognition***

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### **1.23.2. *Subsequent Measurement***

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.



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The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.23.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

**1.24. REVENUE**

**1.24.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

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Services in-kind that are significant to the Municipality's operations are recognised as assets and 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.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.24.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.25. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

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The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

#### **1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

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- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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#### **1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### ***Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

##### ***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The



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### **ACCOUNTING POLICIES**

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

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on

## **NAMA KHOI LOCAL MUNICIPALITY**

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### **ACCOUNTING POLICIES**

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management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### ***Provision for Landfill Sites***

The provision for rehabilitation of the landfill 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 initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### ***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### ***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

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### **ACCOUNTING POLICIES**

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#### ***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

#### ***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### ***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### **1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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**ACCOUNTING POLICIES**

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**1.34. EVENTS AFTER REPORTING DATE**

Events after the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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	2016			2015		
	Cost	Depreciation and impairment	Carrying value	Cost	Depreciation and impairment	Carrying value
Investment property	31 707 620	(7 821 963)	23 885 657	31 707 620	(6 766 345)	24 941 275

**Reconciliation of investment property - 2016**

	Opening balance	Depreciation	Total
Investment property	24 941 275	(1 055 618)	23 885 657

**Reconciliation of investment property - 2015**

	Opening balance	Correction of error	Depreciation	Total
Investment property	254 248	24 698 123	(11 096)	24 941 275

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.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

**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	18 717 409	-	18 717 409	18 717 409	-	18 717 409
Buildings	34 805 229	(9 360 808)	25 444 421	34 805 229	(8 200 633)	26 604 596
Infrastructure	968 849 332	(513 498 990)	455 350 342	948 820 655	(482 084 991)	466 735 664
Community	170 400 195	(88 311 419)	82 088 776	172 660 163	(85 748 482)	86 911 681
Other assets	18 884 249	(15 282 703)	3 601 546	18 255 096	(14 155 062)	4 100 034
<b>Total</b>	<b>211 656 414</b>	<b>(626 453 920)</b>	<b>585 202 494</b>	<b>193 258 552</b>	<b>(590 189 168)</b>	<b>603 069 384</b>

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Annual Financial Statements for the year ended 30 June 2016

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	2016 R	2015 R
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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Reconciliation of property, plant and equipment - 2016**

	Opening balance	Additions / Under Construction	Disposals	Depreciation	Total
Land	18 717 409	-	-	-	18 717 409
Buildings	26 604 596	-	-	(1 160 175)	25 444 421
Infrastructure	466 735 664	20 087 122	-	(31 472 444)	455 350 342
Community	86 911 681	-	-	(4 822 905)	82 088 776
Other assets	4 100 034	1 028 513	(84 831)	(1 442 170)	3 601 546
	<b>603 069 384</b>	<b>21 115 635</b>	<b>(84 831)</b>	<b>(38 897 694)</b>	<b>585 202 494</b>

**Reconciliation of property, plant and equipment - 2015**

	Opening balance	Additions / Under Construction	Correction of prior year error	Disposals	Depreciation	Total
Land	6 897 535	-	12 056 874	(237 000)	-	18 717 409
Buildings	6 321 307	-	20 585 724	-	(302 435)	26 604 596
Infrastructure	486 637 558	13 625 054	(2 087 948)	-	(31 439 000)	466 735 664
Community	91 980 276	953 819	(953 819)	-	(5 068 595)	86 911 681
Other assets	5 306 379	294 880	-	-	(1 501 225)	4 100 034
	<b>597 143 055</b>	<b>14 873 753</b>	<b>29 600 831</b>	<b>(237 000)</b>	<b>(38 311 255)</b>	<b>603 069 384</b>

**Pledged as security**

Leased Property, Plant and Equipment of R423 850 (2015: R121 326) secured for leases as set out in Note 14.

**Capital under construction**

Infrastructure	15 593 426	2 489 165
Community	-	953 818
	<b>15 593 426</b>	<b>3 442 983</b>

**4. CAPITAL COMMITMENTS**

**Authorised capital expenditure**

**Already contracted for but not provided for**

• Infrastructure Assets	85 574 442	77 091 458
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**This expenditure will be financed from**

• Government Grants	85 574 442	77 091 458
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	2016			2015		
	Cost / Valuation	Amortisation and impairment	Carrying value	Cost / Valuation	Amortisation and impairment	Carrying value
Computer software	295 027	(204 140)	90 887	283 860	(142 306)	141 554

**Reconciliation of intangible assets - 2016**

	Opening balance	Additions	Amortisation	Total
Computer software	141 554	11 167	(61 834)	90 887

**Reconciliation of intangible assets - 2015**

	Opening balance	Amortisation	Total
Computer software	197 168	(55 614)	141 554

No intangible asset were assessed having an indefinite useful.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

**6. OPERATING LEASE ASSET (ACCRUAL)**

Non-current assets	108 124	49 158
	-	-
	<b>108 124</b>	<b>49 158</b>

**Leasing Arrangements****The Municipality as Lessor:**

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable in up to one year R240 445 (2015: R451 893) and between two to five years R347 468 (R2015: R587 913).

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	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>7. LONG-TERM RECEIVABLES</b>		
Opening Balance	7 390 642	6 037 975
Provision for Debt Impairment	(7 390 642)	(6 037 975)
	<u>-</u>	<u>-</u>
<b>Reconciliation of Provision for Debt Impairment</b>		
Opening Balance	(6 037 975)	(1 575 348)
Contribution to Provision	(1 352 667)	(4 462 627)
	<u>(7 390 642)</u>	<u>(6 037 975)</u>
<b>8. INVENTORIES</b>		
Consumable stores	702 100	782 425
Water - at purification cost	215 313	178 100
	<u>917 413</u>	<u>960 525</u>
<b>8.1 Materials written down due to losses as identified during the annual stores counts:</b>		
Consumables stores	201 133	419 527
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
No Inventories have been pledged as collateral for liabilities of the municipality		
<b>9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Taxes - Rates	2 828 818	3 002 160
Sundry debtors	2 582 245	2 260 236
Traffic fines	71 003	54 298
	<u>5 482 066</u>	<u>5 316 694</u>
<b>Gross balances</b>		
Taxes - Rates	19 183 121	18 162 105
Traffic fines	1 045 524	764 450
Sundry debtors	2 582 245	2 260 236
	<u>22 810 890</u>	<u>21 186 791</u>
<b>Less: Provision for Debt Impairment</b>		
Taxes - Rates	(16 354 303)	(15 159 945)
Traffic fines	(974 521)	(710 152)
Sundry debtors	-	-
	<u>(17 328 824)</u>	<u>(15 870 097)</u>



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	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>(continued)</b>		
<b>Net balance</b>		
Taxes - Rates	2 828 818	3 002 160
Consumer debtors - Other 1	71 003	54 298
Sundry debtors	2 582 245	2 260 236
	<b>5 482 066</b>	<b>5 316 694</b>
<b>Rates</b>		
Current (0 -30 days)	1 893 397	3 294 005
31 - 60 days	977 155	911 929
61 - 90 days	510 080	493 128
>90 days	15 802 489	13 463 043
Provision for Debt Impairment	(16 354 303)	(15 159 945)
	<b>2 828 818</b>	<b>3 002 160</b>
<b>Sundry debtors</b>		
Current (0 -30 days)	2 582 245	2 260 236
<b>Traffic fines</b>		
Current (0 -30 days)	43 950	25 700
31 - 60 days	17 850	16 000
61 - 90 days	7 050	26 750
>90 days	976 674	696 000
Provision for Debt Impairment	(974 521)	(710 152)
	<b>71 003</b>	<b>54 298</b>

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>(continued)</b>		
<b>Summary of Rates debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	1 743 696	2 105 507
31 - 60 days	778 128	668 651
61 - 90 days	415 761	325 706
>90 days	13 807 816	11 745 839
	<b>16 745 401</b>	<b>14 845 703</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	129 663	509 038
31 - 60 days	192 241	243 095
61 - 90 days	91 099	167 390
>90 days	1 887 572	1 779 260
	<b>2 300 575</b>	<b>2 698 783</b>
<b>National and provincial government</b>		
Current (0 -30 days)	20 035	63 746
31 - 60 days	6 785	6 993
61 - 90 days	3 215	1 206
>90 days	107 110	252 104
	<b>137 145</b>	<b>324 049</b>
<b>Total</b>		
Current (0 -30 days)	1 893 394	2 678 291
31 - 60 days	977 154	918 739
61 - 90 days	510 075	494 302
>90 days	15 802 498	14 070 773
	19 183 121	18 162 105
Less: Provision for Debt Impairment	(16 354 303)	(15 159 945)
	<b>2 828 818</b>	<b>3 002 160</b>
	-	-
<b>Reconciliation of Provision for Debt Impairment</b>		
Opening balance	(15 159 945)	(14 434 520)
Contribution to provision	(1 194 358)	(725 425)
	<b>(16 354 303)</b>	<b>(15 159 945)</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>10. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Gross balances</b>		
Electricity	24 945 872	27 566 077
Water	26 315 704	21 185 078
Sewerage	6 277 665	5 027 025
Refuse	12 596 806	9 896 036
Other	5 907 332	4 554 526
	<b>76 043 379</b>	<b>68 228 742</b>
<b>Less: Provision for Debt Impairment</b>		
Electricity	(18 652 599)	(21 529 376)
Water	(21 918 249)	(17 405 634)
Sewerage	(5 415 098)	(4 361 407)
Refuse	(11 601 680)	(9 218 139)
Other	(5 624 700)	(4 875 748)
	<b>(63 212 326)</b>	<b>(57 390 304)</b>
<b>Net balance</b>		
Electricity	6 293 273	6 036 701
Water	4 397 455	3 779 444
Sewerage	862 567	665 618
Refuse	995 126	677 897
Other	282 632	(321 222)
	<b>12 831 053</b>	<b>10 838 438</b>
<b>Electricity</b>		
Current (0 -30 days)	4 594 916	4 789 683
31 - 60 days	1 073 619	913 583
61 - 90 days	253 275	844 468
+90 days	19 024 062	21 018 343
Provision for Debt Impairment	(18 652 599)	(21 529 376)
	<b>6 293 273</b>	<b>6 036 701</b>
<b>Water</b>		
Current (0 -30 days)	3 398 188	3 622 224
31 - 60 days	710 670	1 060 460
61 - 90 days	684 576	675 305
>90 days	21 522 269	15 827 089
Provision for Debt Impairment	(21 918 248)	(17 405 634)
	<b>4 397 455</b>	<b>3 779 444</b>
<b>Sewerage</b>		
Current (0 -30 days)	1 167 630	640 396
31 - 60 days	194 844	259 467
61 - 90 days	175 634	137 549
>90 days	4 739 557	3 989 613
Provision for Debt Impairment	(5 415 098)	(4 361 407)
	<b>862 567</b>	<b>665 618</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>10. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	1 565 123	627 365
31 - 60 days	354 890	293 707
61 - 90 days	322 420	171 187
>90 days	10 354 373	8 803 777
Provision for Debt Impairment	(11 601 680)	(9 218 139)
	<b>995 126</b>	<b>677 897</b>
<b>Other</b>		
Current (0 -30 days)	377 290	62 795
31 - 60 days	126 259	130 313
61 - 90 days	118 239	81 481
>90 days	5 285 544	4 279 937
Provision for Debt Impairment	(5 624 700)	(4 875 748)
	<b>282 632</b>	<b>(321 222)</b>

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>10. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>Receivables from exchange transactions by customer classification</b>		
<b>Household</b>		
Current (0 -30 days)	4 050 704	4 776 422
31 - 60 days	1 982 992	1 365 624
61 - 90 days	1 201 111	791 752
+90 days	41 981 959	29 096 654
	<b>49 216 766</b>	<b>36 030 452</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	3 317 989	4 516 311
31 - 60 days	1 211 498	972 114
61 - 90 days	386 978	940 494
+90 days	20 825 280	21 760 057
	<b>25 741 745</b>	<b>28 188 976</b>
<b>National and provincial government</b>		
Current (0 -30 days)	364 736	449 729
31 - 60 days	169 818	319 791
61 - 90 days	51 853	177 745
+90 days	498 461	1 373 354
	<b>1 084 868</b>	<b>2 320 619</b>
<b>Total</b>		
Current (0 -30 days)	7 733 429	9 742 462
31 - 60 days	3 364 308	2 657 529
61 - 90 days	1 639 942	1 909 991
+90 days	63 305 700	53 918 760
	76 043 379	68 228 742
Less: Provision for Debt Impairment	(63 212 326)	(57 390 304)
	<b>12 831 053</b>	<b>10 838 438</b>
<b>Reconciliation of provision for Debt Impairment</b>		
Balance at beginning of the year	(57 390 304)	(45 504 385)
Contributions to provision	(5 822 022)	(11 885 919)
	<b>(63 212 326)</b>	<b>(57 390 304)</b>
<b>11. TAXES</b>		
VAT	12 290 529	8 682 141

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<hr/>		
<b>12. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Cash on hand	7 600	25 600
Bank balances	8 377 225	5 930 335
Other cash and cash equivalents	10 610 617	24 064 524
	<hr/> <b>18 995 442</b>	<hr/> <b>30 020 459</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

				2016 R			2015 R
<b>12. CASH AND CASH EQUIVALENTS (continued)</b>							
<b>The municipality had the following bank accounts</b>							
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 Limited - Account Number 9270778034 (Library)	3 288 799	1 758 024	829 367	3 288 799	1 758 024	829 367	
ABSA Bank Limited - Account Number 9249138970 (FMG)	425 630	1 000	362 344	425 630	1 000	362 344	
ABSA Bank Limited - Account Number 9233473372 (Land Sales)	1 000	1 000	1 000	1 000	1 000	1 000	
ABSA Bank Limited - Account Number 9233471702 (MIG)	3 243 280	17 907 033	10 834 597	3 243 280	17 907 033	10 834 596	
ABSA Bank Limited - Account Number 9233473306 (Housing)	1 758 776	2 300 342	1 837 316	1 758 776	2 300 342	1 837 316	
ABSA Bank Limited - Account Number 9233472871 (DME)	211 331	289 578	222 661	211 331	289 578	222 661	
ABSA Bank Limited - Account Number 9255092704 (NDFT)	1 050 000	550 000	550 000	1 050 000	550 000	550 000	
ABSA Bank Limited - Account Number 9259915702 (MSIG)	154 183	442 114	291 000	154 183	442 114	291 000	
ABSA Bank Limited - Account Number 9276734547 (EPWP)	409 277	815 433	604 813	409 277	815 433	604 813	
ABSA Bank Limited - Account Number 4052704442 (Primary Account)	8 616 100	6 827 980	4 947 986	8 377 225	5 930 335	3 665 176	
ABSA Bank Limited - Account Number 9313614189 (Call account)	1 000	-	-	1 000	-	-	
ABSA Bank Limited - Account Number 9313614430 (Call account)	67 342	-	-	67 342	-	-	
<b>Total</b>	<b>19 226 718</b>	<b>30 892 504</b>	<b>20 481 084</b>	<b>18 987 843</b>	<b>29 994 859</b>	<b>19 198 273</b>	

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>13. EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
<b>Carrying value</b>		
Post-retirement Health Care Benefits	(15 435 278)	(15 091 088)
Long Service Awards	(4 259 605)	(3 564 572)
Transfer to current portion	(645 961)	(611 070)
Shortfall Cape Joint Pension Fund	(302 338)	(302 338)
	<b>(20 643 182)</b>	<b>(19 569 068)</b>
Non-current liabilities	(19 694 883)	(18 655 660)
Current liabilities	(948 299)	(913 408)
	<b>(20 643 182)</b>	<b>(19 569 068)</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	19 569 068	18 688 338
Current service cost - Post-retirement Health Care Benefits	745 056	1 123 000
Interest cost - Post-retirement Health Care Benefits	1 392 589	1 311 000
Benefits paid - Post-retirement Health Care Benefits	(183 171)	(257 000)
Actuarial losses / (gains) - Post-retirement Health Care Benefits	(1 619 608)	(1 119 420)
Current Service Cost - Long Service Awards	390 015	434 000
Interest Cost - Long Service Awards	304 663	340 000
Benefits paid - Long Service Awards	(213 980)	(447 000)
Actuarial losses / (gains) - Long Service Awards	258 550	(503 850)
	<b>20 643 182</b>	<b>19 569 068</b>
<b>Net expense recognised in the Statement of Financial Performance</b>		
Current service cost - Post-retirement Health Care Benefits	745 056	1 123 000
Interest cost - Post-retirement Health Care Benefits	1 392 589	1 311 000
Actuarial (gains)/losses - Post-retirement Health Care Benefits	(1 619 608)	(1 119 420)
Current service cost - Long Service Awards	390 015	434 000
Interest Cost - Long Service Awards	304 663	340 000
Actuarial losses / (gains) - Long Service Awards	258 550	(503 850)
	<b>1 471 265</b>	<b>1 584 730</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) / losses – Obligation	(1 361 058)	(1 623 270)



**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
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**13. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

**Key assumptions used**

Assumptions used at the reporting date:

Discount rates used - Post-retirement Health Care Benefits	9,28 %	9,17 %
Cost inflation rates - Post-retirement Health Care Benefits	8,37 %	8,26 %
Net Effective Discount Rate - Post-retirement Health Care Benefits	0,84 %	0,84 %
Discount rates used - Long Service Awards	8,52 %	8,06 %
Cost inflation rates - Long Service Awards	7,18 %	7,13 %
Net Effective Discount Rate - Long Service Awards	1,25 %	0,87 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**Long Service Awards**

The Current-service Cost for the year is estimated to be R390 015 whereas the Interest Cost for the ensuing year is estimated to be R431 452.

**Post-retirement Health Care Benefits**

The Current-service Cost for the year is estimated to be R745 056 whereas the Interest Cost for the ensuing year is estimated to be R827 765.

**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:

	<b>+1%</b>	<b>-1%</b>
Effect on the aggregate of the service cost and interest cost - Health care	2 926 000	2 926 000
Effect on the aggregate of the service cost and interest cost - Long service	-	747 800

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

	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation - Post-retirement Health Care Benefits	15 618 446	15 283 580	14 226 000	16 345 403
Defined benefit obligation - Long service awards	4 722 398	3 983 150	4 160 000	2 943 000

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>14. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	270 149	117 400
- in second to fifth year inclusive	266 385	90 685
	536 534	208 085
less: future finance charges	(75 392)	(13 407)
<b>Present value of minimum lease payments</b>	<b>461 142</b>	<b>194 678</b>
 <b>Present value of minimum lease payments due</b>		
- within one year	216 716	106 574
- in second to fifth year inclusive	244 426	88 104
	<b>461 142</b>	<b>194 678</b>
 Non-current liabilities	 244 426	 88 104
Current liabilities	216 716	106 574
	<b>461 142</b>	<b>194 678</b>

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**

National: Expanded Public Works Program (EPWP)	-	6 888
National: Municipal Infrastructure Grant (MIG)	-	21 395 503
National: Municipal Infrastructure Grant (MSIG)	-	96 540
National: Department of Water Affairs (WSACDBP)	510 747	510 747
Provincial: Tourism	36 558	36 558
National: Department of Minerals and Energy (DME)	-	72 227
Provincial: Library	421 188	1 836 722
Local Government: LG SETA	67 342	-
Provincial: Department Sport and Agriculture	308 500	308 500
Local Government: Fire Equipment	52 264	52 264
Local Government: Namakwa District Municipality	1 040 670	540 670
Other Government: Swimming Pool	450 000	450 000
Local Government: World Cup 2010	52 139	52 139
Wade Project	40 362	40 362
	<b>2 979 770</b>	<b>25 399 120</b>

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

**16. OTHER FINANCIAL LIABILITIES****At amortised cost**

Annuity loans	404 519	1 358 379
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**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>16. OTHER FINANCIAL LIABILITIES (continued)</b>		
Annuity Loans are repayable over 1 year (2015: 1 to 2) years and at an interest rate of 7% (2015: varying from 12% to 18%) per annum. Annuity Loan is not secured.		
<b>Non-current liabilities</b>		
At amortised cost	-	427 940
<b>Current liabilities</b>		
At amortised cost	404 519	930 439
<b>17. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	157 556 536	142 886 594
Other payables	20 723 548	14 329 993
Retention	1 727 165	1 064 207
Accrued leave pay	4 909 328	4 103 423
Accrued bonus	1 706 954	1 386 586
	<b>186 623 531</b>	<b>163 770 803</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses are paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>18. PROVISIONS</b>			
<b>Reconciliation of provisions - 2016</b>			
	Opening Balance	Additions	Total
Provision for Rehabilitation of Landfill-sites	23 038 125	1 382 288	24 420 413
<b>Reconciliation of provisions - 2015</b>			
	Opening Balance	Additions	Total
Provision for Rehabilitation of Landfill-sites	21 734 080	1 304 045	23 038 125
Non-current liabilities		23 388 699	21 734 080
Current liabilities		1 031 714	1 304 045
		<b>24 420 413</b>	<b>23 038 125</b>

**Rehabilitation of Landfill-sites**

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs.

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Proposed rehabilitation		
Springbok	Closed	1 780 554	1 780 554
Bergsig	2026	9 735 992	9 735 992
Nababeep	2026	3 507 917	3 507 917
Steinkopf	2026	8 467 243	8 467 243
Komaggas	2026	5 091 593	5 091 593
Concordia	2026	2 168 033	2 168 033
Bulletrap	2026	1 168 958	1 168 958
Rooiwal	Closed	4 486 797	4 486 797
Violsdrif	Closed	1 323 190	1 323 190
		<b>37 730 277</b>	<b>37 730 277</b>

**19. CONSUMER DEPOSITS**

Electricity	1 426 270	1 175 023
Water	1 375 120	1 219 624
	<b>2 801 390</b>	<b>2 394 647</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>19. CONSUMER DEPOSITS (continued)</b>		
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.		
<b>20. REVENUE</b>		
Service charges	113 539 694	96 775 138
Property rates	34 187 763	35 813 662
Government grants & subsidies	64 897 911	48 899 924
Agency services	1 307 101	1 191 406
Licences and permits	1 260 853	1 255 862
Rental income	1 830 578	701 601
Interest received	7 107 843	5 944 619
Fines	446 427	505 895
Other income	2 862 653	2 010 073
	<b>227 440 823</b>	<b>193 098 180</b>
<b>The amount included in revenue arising from exchange transactions are as follows:</b>		
Service charges	113 539 694	96 775 138
Agency services	1 307 101	1 191 406
Licences and permits	1 260 853	1 255 862
Rental income	1 830 578	701 601
Other income	2 862 653	2 010 073
Interest received	7 107 843	5 944 619
	<b>127 908 722</b>	<b>107 878 699</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	34 187 763	35 813 662
<b>Transfer revenue</b>		
Government grants & subsidies	64 897 911	48 899 924
Fines	446 427	505 895
	<b>99 532 101</b>	<b>85 219 481</b>
<b>21. SERVICE CHARGES</b>		
Sale of electricity	66 711 960	60 255 357
Sale of water	30 120 299	26 400 649
Sewerage and sanitation charges	12 929 547	7 939 945
Refuse removal	15 140 013	9 414 048
Less: Income Forgone	(11 362 125)	(7 234 861)
	<b>113 539 694</b>	<b>96 775 138</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>22. PROPERTY RATES</b>		
<b>Actual</b>		
Rateable Land and Buildings	34 187 763	35 813 662
<b>Valuations</b>		
Residential	1 572 631 500	1 561 337 000
Commercial	620 151 500	589 644 500
Vacant Property/Building clauses	49 010 000	55 200 000
Municipal	5 573 500	17 063 500
Agricultural purposes	614 064 500	621 652 500
	<b>2 861 431 000</b>	<b>2 844 897 500</b>

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,01617 c/R (2014/15: 0,01617 c/R)  
 Business Properties: 0,022260 c/R (2014/15: 0,01704 c/R)  
 Agricultural Properties: 0,000697 c/R (2014/15: 0,00062 c/R)

Rebates were granted on land and buildings used solely for dwelling purposes as follows:

Residential - The first R15,000 on the valuation is exempted  
 Indigents - 10%  
 Pensioners - 20%

Rebates can be defined as any income that the Municipality is entitled to levy, by law, but which has subsequently been forgone by way of rebate or remission.

**23. INVESTMENT REVENUE****Interest revenue**

Investments	1 383 666	1 261 892
Interest charged on trade and other receivables	5 323 208	4 412 645
Bank account	400 969	270 082
	<b>7 107 843</b>	<b>5 944 619</b>

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>24. GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
National: Equitable share	36 818 000	35 295 000
Local Government: Fire equipment	44 087	-
National: Expanded Public Works Program (EPWP)	1 006 888	993 112
National: Finance Management Grant (FMG)	1 675 000	1 600 000
National: Municipal Systems Improvement Grant (MSIG)	930 000	837 460
Provincial: Library Grant	3 084 535	276 568
National: DME Electrification	6 000 000	983 084
Local Government: LGSETA Grants	-	126 449
	<b>49 558 510</b>	<b>40 111 673</b>
<b>Capital grants</b>		
National: Municipal Infrastructure Grant (MIG)	14 245 001	7 043 915
National: Department Water Affairs (DWAF) - ACIP	1 094 400	1 744 336
	<b>15 339 401</b>	<b>8 788 251</b>
	<b>64 897 911</b>	<b>48 899 924</b>

**Conditional and Unconditional Government Grants:****Equitable Share**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**National: Expanded Public Works Program (EPWP)**

Balance unspent at beginning of year	6 888	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 006 888)	(993 112)
	<b>-</b>	<b>6 888</b>

The Expanded Public Works Programme Grant was allocated to the municipality for job creation.

**National: Financial Management Grant (FMG)**

Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	<b>-</b>	<b>-</b>

This grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>24. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	21 395 503	14 460 418
Current-year receipts	14 245 000	13 979 000
Conditions met - Capital expense	(14 245 000)	(7 043 915)
Repaid to National revenue fund	(21 395 503)	-
	<b>-</b>	<b>21 395 503</b>

The grant was used to upgrade infrastructure in previously disadvantaged areas.

**National: Municipal Infrastructure Grant (MSIG)**

Balance unspent at beginning of year	96 540	-
Current-year receipts	930 000	934 000
Conditions met - Operating expense	(930 000)	(837 460)
Repaid to National revenue fund	(96 540)	-
	<b>-</b>	<b>96 540</b>

The grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**National: Department Water Affairs (DWAf) - ACIP**

Current-year receipts	1 094 400	1 744 336
Conditions met - transferred to revenue	(1 094 400)	(1 744 336)
	<b>-</b>	<b>-</b>

The grant was used for the refurbishment of water infrastructure.

**National: Department of Water Affairs (WSACDBP)**

Balance unspent at beginning of year	510 747	510 747
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>510 747</b>	<b>510 747</b>

The grant was allocated for the refurbishment of water infrastructure.

**Provincial: Tourism**

Balance unspent at beginning of year	36 558	36 558
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>36 558</b>	<b>36 558</b>

The grant was allocated for tourism activities.



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>24. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>National: Department of Minerals and Energy (DME)</b>		
Balance unspent at beginning of year	72 227	55 311
Current-year receipts	6 000 000	1 000 000
Conditions met - Capital expense	(6 000 000)	(983 084)
Repaid to National revenue fund	(72 227)	-
	<b>-</b>	<b>72 227</b>
The grant was used to promote rural development and upgrade electricity infrastructure.		
<b>Provincial: Library</b>		
Balance unspent at beginning of year	1 836 722	1 046 290
Current-year receipts	1 669 000	1 067 000
Conditions met - Operating expense	(3 084 534)	(276 568)
	<b>421 188</b>	<b>1 836 722</b>
The grant was used for library activities.		
<b>Local Government: LG SETA</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	67 342	126 449
Correction of Error	-	(126 449)
	<b>67 342</b>	<b>-</b>
The grant was allocated for skills development.		
<b>Provincial: Department Sport and Agriculture</b>		
Balance unspent at beginning of year	308 500	308 500
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>308 500</b>	<b>308 500</b>
The grant was received for the building and maintenance of sport fields in the district.		
<b>Local Government: Fire Equipment</b>		
Balance unspent at beginning of year	52 264	52 264
Current-year receipts	44 087	-
Conditions met - transferred to revenue	(44 087)	-
	<b>52 264</b>	<b>52 264</b>
The grant was allocated for the maintenance and upgrade of fire equipment in the area of the municipality.		

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>24. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Local Government: Namakwa District Municipality</b>		
Balance unspent at beginning of year	540 670	540 670
Current-year receipts	500 000	-
Conditions met - transferred to revenue	-	-
	<b>1 040 670</b>	<b>540 670</b>
The grant was allocated for various projects.		
<b>Other Government: Swimming Pool</b>		
Balance unspent at beginning of year	450 000	450 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>450 000</b>	<b>450 000</b>
The grant was received for the building of a swimming pool in the area.		
<b>Local Government: World Cup 2010</b>		
Balance unspent at beginning of year	52 139	52 139
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>52 139</b>	<b>52 139</b>

The grant was allocated for activities of the 2010 Soccer World Cup.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>25. EMPLOYEE RELATED COSTS</b>		
Basic	47 549 282	39 208 709
Bonus	3 934 811	3 925 504
Medical aid - company contributions	2 015 607	2 164 887
UIF	435 799	417 002
Leave pay provision	1 294 285	1 131 950
Pension fund	6 981 744	5 978 990
Travel allowance	3 796 148	3 954 289
Overtime payments	3 771 945	3 030 810
Acting allowances	985 050	1 193 557
Transport allowance	71 861	127 195
Housing benefits and allowances	954 990	292 831
Standby allowance	1 316 889	1 054 372
Cellphone allowance	150 663	109 644
Long service awards - current service cost	390 015	434 000
Post-retirement benefit - current service cost	745 056	1 123 000
Interest - Post-retirement	1 697 252	1 651 000
	<b>76 091 397</b>	<b>65 797 740</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	660 837	715 988
Car and other allowances	235 157	180 000
Contributions to UIF, Medical and Pension Funds	17 625	16 764
	<b>913 619</b>	<b>912 752</b>
<b>Remuneration of Manager: Community Services</b>		
Annual Remuneration	380 581	342 100
Car and other allowances	172 976	345 632
Contributions to UIF, Medical and Pension Funds	107 490	92 578
	<b>661 047</b>	<b>780 310</b>
<b>Remuneration of Manager: Corporate Services</b>		
Annual Remuneration	554 817	635 985
Car and other allowances	339 066	97 248
Contributions to UIF, Medical and Pension Funds	25 345	144 474
	<b>919 228</b>	<b>877 707</b>
<b>Remuneration of Manager: Housing and LED Services</b>		
Annual Remuneration	437 152	402 196
Car and other allowances	204 806	180 571
Contributions to UIF, Medical and Pension Funds	123 646	105 525
	<b>765 604</b>	<b>688 292</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>25. EMPLOYEE RELATED COSTS (continued)</b>		
<b>Remuneration of Manager: Technical Services</b>		
Annual Remuneration	554 168	485 981
Car and other allowances	258 081	157 470
Contributions to UIF, Medical and Pension Funds	123 326	121 300
	<b>935 575</b>	<b>764 751</b>
<b>Remuneration of Manager: Electrical Services</b>		
Annual Remuneration	254 819	485 981
Car and other allowances	291 999	157 470
Contributions to UIF, Medical and Pension Funds	32 412	121 300
	<b>579 230</b>	<b>764 751</b>
<b>26. REMUNERATION OF COUNCILLORS</b>		
Executive Major	462 890	438 759
Speaker	370 312	351 006
Executive Committee Members	421 239	406 339
Councillors	3 657 480	3 404 450
Councillors' pension contribution	145 909	138 209
	<b>5 057 830</b>	<b>4 738 763</b>
<b>In-kind benefits</b>		
<p>The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.</p>		
<b>27. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	38 897 694	38 100 444
Investment property	1 055 617	11 097
Intangible assets	61 834	55 614
	<b>40 015 145</b>	<b>38 167 155</b>
<b>28. FINANCE COSTS</b>		
Non-current borrowings	135 928	241 018
Trade and other payables	2 810 212	6 844 044
	<b>2 946 140</b>	<b>7 085 062</b>
<b>29. DEBT IMPAIRMENT</b>		
Contributions to debt impairment provision	9 377 208	22 686 109

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>30. BULK PURCHASES</b>		
Electricity	59 178 019	51 994 167
Water	24 967 488	27 377 455
	<b>84 145 507</b>	<b>79 371 622</b>
<b>31. CONTRACTED SERVICES</b>		
Fleet Services	469 325	391 161
Valuation Services	651 646	413 774
Security Services	372 286	235 386
	<b>1 493 257</b>	<b>1 040 321</b>
<b>32. GENERAL EXPENSES</b>		
Advertising	141 860	195 932
Auditors remuneration	2 199 408	1 493 994
Bank charges	527 376	512 989
Cleaning	383 748	330 996
Consulting and professional fees	2 151 016	2 600 132
Repairs and maintenance	9 677 807	9 925 902
Entertainment	146 433	109 673
Hire	506 253	1 208 170
Insurance	415 336	373 406
Licence fees	1 348 866	1 014 086
Skills development levies	658 135	618 437
Packaging	345 244	248 012
Fuel and oil	3 596 539	4 380 781
Postage and courier	629 373	508 772
Printing and stationery	338 617	345 747
Protective clothing	221 590	-
Subscriptions and membership fees	803 205	811 588
Telephone and fax	1 108 322	1 247 611
Training	183 928	145 998
Travel - local	1 622 311	1 169 881
Electricity	2 739 643	2 425 698
Water	726 529	786 317
Refuse	42 564	40 714
Uniforms	11 097	10 269
Special programs	193 414	92 249
Chemicals	8 815	10 992
Audit committee cost	139 393	109 286
Water analysis	117 377	69 231
Operating grant expenditure	2 936 459	3 012 258
Other expenses	1 119 362	1 838 113
	<b>35 040 020</b>	<b>35 637 234</b>

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>33. CASH GENERATED FROM OPERATIONS</b>		
Deficit	(26 825 091)	(61 141 321)
<b>Adjustments for:</b>		
Depreciation and amortisation	40 015 145	38 167 155
Gain on sale of assets and liabilities	84 831	47 289
Loans written off	(133 985)	-
Contribution to current employee benefits	1 126 273	-
Actuarial loss	258 550	-
Actuarial gain	(1 619 608)	(1 623 270)
Debt impairment	9 377 208	22 686 109
Movements in operating lease assets and accruals	(58 966)	(49 158)
Movements in retirement benefit assets and liabilities	2 435 172	19 569 068
Movements in provisions	1 382 288	23 038 125
Impairment loss	201 133	-
Government Grants and Subsidies received	42 478 561	74 299 044
Government Grants and Subsidies recognised as revenue	(64 897 911)	(48 899 924)
<b>Changes in working capital:</b>		
Inventories	(158 021)	(960 525)
Receivables from exchange transactions	(9 911 096)	(6 639 176)
Other receivables from non-exchange transactions	(1 624 099)	(5 316 694)
Payables from exchange transactions	21 726 455	27 411 137
VAT	(3 608 388)	(8 682 141)
	<b>10 248 451</b>	<b>71 905 718</b>

**34. RELATED PARTIES**

Name of Related Party	Designation
S Lubbe	Councillor
WS Jordaan	Councillor
EF Maritz	Councillor
FX Cupido	Councillor
R Kritzinger	Councillor
S Kleinbooi	Councillor
G Cloete	Councillor
SD Hoskin	Councillor
WJ Goedeman	Councillor
GY Pieters	Councillor
LF Faber	Councillor
M Diedericks	Councillor
SJC van Wyk	Councillor
JF van Wyk	Councillor
KS Ventura	Councillor
HS Apollis	Councillor
GJ Coetzee	Councillor
JE van der Heever	Councillor
DA Markus	Councillor
CE Gertze	Councillor
CG Coetzee	Councillor
Y van Zyl	Councillor
P van Reenen	Councillor
D Joseph	Councillor

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	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>34. RELATED PARTIES (continued)</b>		
Z de Jongh		Councillor
L Vries		Councillor
SH Ruiter		Councillor
MP Dichaba		Municipal Manager (Previous)
NP Ndaka		Chief Financial Officer
B Love		Manager: Corporate Services (Acting)
BB Williams		Manager: Community Services (Acting)
JS Cloete		Manager: Technical Services
T Beukes		Manager: Electrical Services (Acting)
A Beukes		Manager: Internal Audit
R Hartley		Manager: Housing and LED Services
W Bouwers		Manager: Finance
<b>Related party balances</b>		
<b>Outstanding accounts - Owing by related parties</b>		
Councillors	12 254	45 492
Municipal Manager and Section 56 Personnel	12 620	-
<b>Related party transactions</b>		
<b>Rates charges</b>		
Councillors	79 635	80 264
Municipal Manager and Section 56 Personnel	69 037	67 153
<b>Service charges</b>		
Councillors	126 408	175 779
Municipal Manager and Section 56 Personnel	69 827	64 226
<b>Sundry charges</b>		
Councillors	4 650	4 571
<b>35. PRIOR PERIOD ERRORS</b>		
Corrections were made during the previous financial years. Details of the corrections are described below: The correction of the error(s) results in adjustments as follows:		
<b>Property, Plant and Equipment</b>		
Balance previously reported		573 468 551
Infrastructure Assets Cost - Recognised incorrectly in periods before 1 July 2014		(1 915 201)
Community Assets Cost - Recognised incorrectly in periods before 1 July 2014		(1 969 738)
Land Cost - Recognised incorrectly in periods before July 2014		12 056 874
Buildings Cost - Recognised incorrectly in periods before July 2014		25 732 155
Infrastructure Assets Accumulated Depreciation - Recognised incorrectly in 2014/2015		36 353
Community Assets Accumulated Depreciation - Recognised incorrectly in periods before 1 July 2014		1 015 919
Infrastructure Assets Accumulated Depreciation - Recognised incorrectly in periods before 1 July 2014		(209 100)

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**35. PRIOR PERIOD ERRORS (continued)**

Buildings Accumulated Depreciation - Recognised incorrectly in periods before 1 July 2014 (5 146 431)

**Restated Balance 603 069 382**

**Investment Property**

Balance previously reported 243 152

Investment Property not recognised in periods before 1 July 2014 31 335 620

Accumulated Depreciation on Investment Property not recognised in periods before 1 July 2014 (6 637 497)

**Restated Balance 24 941 275**

**Receivables from Exchange transactions**

Balance previously reported 11 239 040

Correction of 2015 Provision for Bad Debts (1 473 028)

Reallocation of prior year Negative Debtors per 2015 Financial Statements (616 270)

Reversal of prior year Negative Debtors (907 509)

Correction of prior year Negative Debtors 517 828

Correction of Long-Term portion of Long-term Receivables 201 343

Correction of prior year Land Sales Debtors charges (608 074)

Recognition of Estimated Consumption - Electricity 1 627 597

Recognition of Estimated Consumption - Water 857 512

**Restated Balance 10 838 439**

**Receivables from Non-Exchange transactions**

Balance previously reported 5 796 269

Correction of prior year Provision for Bad Debts (149 387)

Reallocation of prior year Negative Debtors per 2015 Financial Statements (678 056)

Reversal of prior year Negative Debtors (362 229)

Correction of prior year Negative Debtors 655 799

Recognition of Traffic Fines Debtors not previously included 764 450

Recognition of Accumulated Depreciation on Traffic Fines Debtors not previously included (710 152)

**Restated Balance 5 316 694**

**Long-term Receivables**

Balance previously reported 784 083

Impairment of Prior year Long-Term Receivables (784 083)

**Restated Balance -**

**Current Provisions**

Balance previously reported (1 815 022)

Reversal of prior year Current portion of Provision for Landfill Sites 901 614

Correction of prior year Current portion of Provision for Landfill Sites (1 304 045)

**Restated Balance (2 217 453)**

**Taxes**

Balance previously reported 5 399 761

Output VAT not declared in prior year (68 829)

Input VAT not claimed in prior year 3 351 209



**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****35. PRIOR PERIOD ERRORS (continued)**

<b>Restated Balance</b>		<b>8 682 141</b>
<b>Payables from Exchange Transactions</b>		
Balance previously reported		(161 795 590)
Reversal of prior year Negative Debtors		1 269 738
Correction of prior year Negative debtors		(1 173 628)
Reallocation of Housing from Unspent Grants to Payables		(3 365 384)
Reversal of Negative Debtors		1 294 061
<b>Restated Balance</b>		<b>(163 770 803)</b>
<b>Non-current Provisions</b>		
Balance previously reported		(20 429 561)
Correction of prior year Provision for Landfill Sites		(1 304 519)
<b>Restated Balance</b>		<b>(21 734 080)</b>
<b>Unspent conditional Government Grant - National</b>		
Balance previously reported		(30 635 288)
National: Department Water Affairs (DWAf) - ACIP		1 744 336
Correction of prior year LG SETA		126 449
Reallocation of Housing from Unspent Grants to Payables		3 365 384
<b>Restated Balance</b>		<b>(25 399 119)</b>
<b>Long-term Liabilities - Current Portion</b>		
Balance previously reported		(1 035 473)
Correction of Current Portion of Finance Leases		(1 541)
<b>Restated Balance</b>		<b>(1 037 014)</b>
<b>Long-term Liabilities - Non-current portion</b>		
Balance previously reported		(526 359)
Correction of Non-current portion of finance leases		10 315
<b>Restated Balance</b>		<b>(516 044)</b>

**36. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities raised	404 519	1 358 379
Used to finance property, plant and equipment	(404 519)	(1 358 379)
	-	-

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.

**37. UNAUTHORISED EXPENDITURE**

Opening balance	227 421 051	193 452 761
Current year	5 723 073	33 968 290
	<b>233 144 124</b>	<b>227 421 051</b>

Unauthorised expenditure for the year can be summarised as follow:

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****37. UNAUTHORISED EXPENDITURE (continued)**

Office of the Municipal Manager	372 537	-
Corporate Services	1 176 227	1 931 658
Budget and Treasury	3 924 372	-
Community Services	249 937	32 036 632
	<b>5 723 073</b>	<b>33 968 290</b>

**38. FRUITLESS AND WASTEFUL EXPENDITURE**

Opening balance	19 573 897	12 687 452
Current year	2 686 040	6 874 963
	<b>22 259 937</b>	<b>19 562 415</b>

**Details of fruitless and wasteful expenditure**

Interest on late payment - Various Creditors	2 686 040	6 874 963
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No criminal proceedings or disciplinary steps were taken.

**39. IRREGULAR EXPENDITURE**

Opening balance	149 740 081	109 326 604
Irregular Expenditure - current year	4 287 139	40 413 477
	<b>154 027 220</b>	<b>149 740 081</b>

**Details of irregular expenditure – current year**

Expenditure contrary to SCM processes - No tax clearance obtained	-	40 413 477
Expenditure contrary to SCM processes - No bid price with tender	1 279 537	-
Contract ammended contrary to section 116 of MFMA	2 841 448	-
No SCM processes followed	166 155	-
	<b>4 287 140</b>	<b>40 413 477</b>

No criminal proceedings or disciplinary steps were taken.

**40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT****Contributions to organised local government - SALGA**

Opening balance	343 940	-
Current year subscription	684 500	687 880
Amount paid - current year	(200 000)	(343 940)
	<b>828 440</b>	<b>343 940</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****Audit fees**

Opening balance	1 493 994	-
Current year audit fee	2 199 408	1 493 994
Amount paid - current year	(2 199 408)	-
Amount paid - previous years	(1 493 994)	-
	<b>-</b>	<b>1 493 994</b>

**PAYE and UIF**

Opening balance	665 102	781 362
Current year deductions	10 598 206	8 718 623
Amount paid - current year	(9 738 323)	(8 053 521)
Amount paid - previous years	(665 102)	(781 362)
	<b>859 883</b>	<b>665 102</b>

**Pension and Medical Aid Deductions**

Opening balance	997 839	12 037
Current year Payroll deductions and Council Contributions	14 410 992	12 242 750
Amount paid - current year	(13 505 085)	(11 244 911)
Amount paid - previous years	(997 839)	(12 037)
	<b>905 907</b>	<b>997 839</b>

**VAT**

VAT receivable	12 290 529	8 682 141
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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.

**Material losses****Electricity distribution losses**

Lost units	10 679 313	9 828 243
Value (R)	14 329 313	4 761 866

**Water distribution losses**

Lost units (KI)	410 883	365 087
Tariff (per unit)	13,91	12,91
Value (R)	5 715 383	4 713 273

**NAMA KHOI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)****Councillors' arrear consumer accounts**

The following Councillors 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
SJC van Wyk	96 853	26 242	123 095
30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SJC van Wyk	10 681	35 261	45 942

**Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).

	Type of deviation Amount	Single supplier	Imprac- ticle	Emer- gency
July	648 144	25 200	372 808	250 136
August	1 062 213	100 598	678 449	283 166
September	2 048 585	59 113	356 581	1 632 891
October	1 641 378	18 393	457 873	1 165 112
November	1 038 342	68 477	572 874	396 991
December	844 072	47 603	413 883	382 586
January	1 208 204	86 035	345 527	776 642
February	1 404 975	148 555	730 995	525 425
March	987 204	48 611	673 843	264 751
April	1 200 525	43 111	542 822	614 591
May	738 329	43 608	478 593	216 127
June	1 782 333	393 532	655 049	733 753
	<b>14 604 304</b>	<b>1 082 836</b>	<b>6 279 297</b>	<b>7 242 171</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****41. FINANCIAL INSTRUMENTS DISCLOSURE****Categories of financial instruments****2016****Financial assets**

	At fair value	At amortised cost	Total
Long-term receivables			-
- Debtors loans capitalised	-	7 390 642	7 390 642
Receivables from exchange transactions	-	-	-
- Electricity	-	24 945 872	24 945 872
- Refuse	-	12 596 806	12 596 806
- Sewerage	-	6 277 665	6 277 665
- Water	-	26 315 704	26 315 704
- Other receivables	-	5 907 332	5 907 332
Receivables from non-exchange transactions			
- Taxes - Rates	-	19 183 121	19 183 121
- Traffic fines	-	1 045 524	1 045 524
- Sundry debtors	-	2 582 245	2 582 245
Cash and cash equivalents			
- Call deposits	-	10 610 617	10 610 617
- Bank balances	-	8 377 225	8 377 225
- Cash floats and advances	7 600	-	7 600
	<b>7 600</b>	<b>125 232 753</b>	<b>125 240 353</b>

**Financial liabilities**

	At amortised cost	Total
Long-term liabilities		
- Annuity loans	-	-
- Finance leases	244 426	244 426
Payables from exchange transactions		
- Trade creditors	157 556 536	157 556 536
- Retentions	1 727 165	1 727 165
- Other payables	27 339 830	27 339 830
Current portion of long-term liabilities		
- Annuity loans	404 519	404 519
- Finance lease liability	216 716	216 716
	<b>187 489 192</b>	<b>187 489 192</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****FINANCIAL INSTRUMENTS DISCLOSURE (continued)****2015****Financial assets**

	At fair value	At amortised cost	Total
Long-term receivables	-	-	-
- Debtors loans capitalised	-	6 037 975	6 037 975
Receivables from Exchange Transactions			
- Electricity	-	27 566 077	27 566 077
- Refuse	-	9 896 036	9 896 036
- Sewerage	-	5 027 025	5 027 025
- Water	-	21 185 078	21 185 078
- Other receivables	-	4 554 526	4 554 526
Receivables from non-exchange transactions			
Rates	-	18 162 105	18 162 105
Traffic fines	-	764 450	764 450
Sundry debtors	-	2 260 236	2 260 236
Cash and cash equivalents			
- Call deposits	-	24 064 524	24 064 524
- Bank balances	-	5 930 335	5 930 335
- Cash floats and advances	25 600	-	25 600
	<b>25 600</b>	<b>125 448 367</b>	<b>125 473 967</b>

**Financial liabilities**

	At amortised cost	Total
Long-term liabilities		
- Annuity loans	427 940	427 940
- Finance leases	88 104	88 104
Payables from exchange transactions		
- Trade creditors	142 886 594	142 886 594
- Retentions	1 064 207	1 064 207
- Other payables	19 820 002	19 820 002
Current portion long-term liabilities		
- Annuity loans	930 439	930 439
- Long-term liabilities	106 574	106 574
	<b>165 323 860</b>	<b>165 323 860</b>

## NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Long-term receivables	7 390 642	6 037 975
Receivables from exchange transactions	76 043 379	68 228 742
Receivables from non-exchange transactions	22 810 890	21 186 791
Cash and cash equivalents	18 995 442	30 020 459
	<b>125 240 353</b>	<b>125 473 967</b>

#### 42. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Nama Khoi communities resulted in a serious risk for Nama Khoi Municipality's going concern.

Unless sustainable job creation is achieved, Nama Khoi Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

#### 43. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

#### 44. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****45. PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**46. RISK MANAGEMENT****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 businesses, 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 table below 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 in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2016</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Long-term liabilities	621 235	244 426	-	-
Trade and other payables	180 007 249	-	-	-
<b>At 30 June 2015</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Long-term liabilities	1 037 012	516 044	-	-
Trade and other payables	158 280 794	-	-	-



**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****46. RISK MANAGEMENT (continued)****Credit risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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 and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

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

<b>Non-exchange receivables</b>	<b>2016 %</b>	<b>2015 %</b>	<b>2016</b>	<b>2015</b>
Taxes - Rates	100,00%	100,00%	19 183 121	18 162 105
<b>Exchange receivables</b>	<b>2016 %</b>	<b>2015 %</b>	<b>2016</b>	<b>2015</b>
Electricity	32,80%	40,40%	24 945 872	27 566 077
Water	34,61%	31,05%	26 315 704	21 185 078
Sewerage	8,26%	7,37%	6 277 665	5 027 025
Refuse	16,57%	14,5%	12 596 806	9 896 036
Other receivables	7,77%	6,68%	5 907 332	4 554 526
	<b>100,00%</b>	<b>100,00%</b>	<b>76 043 379</b>	<b>68 228 742</b>

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**46. RISK MANAGEMENT (continued)**

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in notes 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	<b>2016 %</b>	<b>2015 %</b>	<b>2016</b>	<b>2015</b>
<b>Long-term Receivables</b>				
Debtors loans capitalised	8,40%	7,61%	7 390 642	6 037 975
<b>Non-exchange receivables</b>				
Rates & Traffic fines	19,71%	20,01%	17 328 824	15 870 097
<b>Exchange services</b>				
Services	71,89%	72,37%	63 212 326	57 390 304
	<u>100,00%</u>	<u>100,00%</u>	<u>87 931 792</u>	<u>79 298 376</u>

## NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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2016	2015
R	R

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#### 47. CONTINGENCIES

Disciplinary hearing in case against CFO.

The disciplinary hearing against the CFO is still in process. Webber Wentzel is appointed as Chairman for the disciplinary hearing. Wessel Smith is the Legal representative for the Municipality. Management is uncertain about the possible liability that the Municipality could incur.

Nama Khoi Municipality vs OCC/Metorex.

Litigation is in process to evict the Municipality from the Springbok Airport and to stop the transfer of the Springbok Airport to Nama Khoi Municipality. Management is uncertain about the possible liability that the Municipality could incur.

Labour disputes against the Municipality.

Litigation was initiated by P Waterboer and B Louw due to alleged unfair labour practices by the Municipality. If successful, the municipality could be liable for amounts: P Waterboer - R300,000; B Louw - R19,127.

Nama Khoi Municipality vs Imatu obo 54 workers.

Labour dispute relating to the unlawful appointment of workers. Management is uncertain about the possible liability that the Municipality could possibly incur.

Nama Khoi Municipality vs MPG Construction CC.

Litigation has been initiated by MPG Construction CC with regards to Supply Chain Management Processes not followed. If successful, the municipality could be liable for the amount of R73,140,256.

Nama Khoi Municipality vs Afriforum.

Litigation has been initiated by Afriforum for a forensic audit on land transactions. Management is uncertain about the possible future liability that the Municipality could incur.

#### 48. BUDGET INFORMATION

##### **Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

##### **Explanation of variances greater than 5%: Final Budget and Actual Amounts:**

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2016 R	2015 R
<b>48. BUDGET INFORMATION (continued)</b>		
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Current Assets</b>		
Cash	-	Incorrect budgeting
Consumer Debtors	-	Incorrect budgeting
Inventory	-	Incorrect budgeting
<b>Non-current Assets</b>		
Long-term receivables	-	Incorrect budgeting
Investment Property	-	Correction of Investment Property register
Intangible Assets	-	Incorrect budgeting
Other Assets	-	Incorrect budgeting
<b>Current Liabilities</b>		
Borrowing	-	New finance leases/Incorrect budgeting
Consumer Deposits	-	Incorrect budgeting
Trade and other Payables-	-	Increase due to cash flow restrictions
Provisions	-	Incorrect budgeting
<b>Non-current Liabilities</b>		
Borrowing	-	Incorrect budgeting
Provisions	-	Incorrect budgeting
<b>Net Assets</b>		
Accumulated Surplus	-	Net effect of all movements
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
<b>Income</b>		
Service Charges: Water	-	Consumption less than budgeted consumption.
Service Charges: Sanitation	-	Consumption less than budgeted consumption.
Service Charges: Refuse	-	Consumption less than budgeted consumption.
Rental of facilities and equipment	-	Incorrect budgeting
Interest earned: External Investments	-	Incorrect budgeting
Fines	-	Incorrect budgeting for Traffic fines
Agency Services	-	Incorrect budgeting
Transfers Recognised: Operational	-	Decrease in unspent
Other Revenue	-	Incorrect budgeting
<b>Expenditure</b>		
Employee related cost	-	Incorrect budgeting
Debt impairment	-	Increase in provision for debt impairment
Finance charges	-	Increase due to Cash Flow restrictions
Bulk purchases	-	Decrease in consumer consumption
Other materials	-	Included in General Expenses
Contracted services	-	Incorrect budgeting
Other expenditure	-	Incorrect budgeting

**NAMA KHOI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>48. BUDGET INFORMATION (continued)</b>		
<b>CASH FLOW STATEMENT</b>		
<b>Cash Flow from operating activities</b>		
<b>Receipts</b>		
Ratepayers and other	-	Increase in outstanding receivables
Government grants	-	Decrease in Government Grants received
Interest	-	Incorrect budgeting
<b>Payments</b>		
Suppliers and Employees	-	Decrease due to Cash Flow restrictions
Finance Charges	-	Increase outstanding payables
<b>Cash Flow from investing activities</b>		
<b>Payments</b>		
Capital Assets	-	Decrease due to Cash Flow restrictions
<b>Cash Flow from financing activities</b>		
<b>Receipts</b>		
Borrowings	-	Incorrect budgeting
Consumer deposits	-	Incorrect budgeting
<b>Payments</b>		
Repayment of borrowings-		No budgeting for finance lease repayments

**APPENDIX A  
NAMA KHOI MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2015</b>	<b>Correction of Error</b>	<b>Received during the period</b>	<b>Disposed during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2016</b>
<b>ANNUITY LOANS</b>									
DBSA	7.0%	61000603	2017-03-01	930,439	-	-	-	(525,920)	404,519
DBSA	12.0%	61001063	2016-03-31	427,940	-	-	-	(427,940)	-
<b>Total Annuity Loans</b>				<b>1,358,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(953,860)</b>	<b>404,519</b>
<b>LEASE LIABILITY</b>									
Nashua Mobile	10.0%	Various		203,452	(8,774)	590,905	(133,985)	(190,455)	461,142
<b>Total Lease Liabilities</b>				<b>203,452</b>	<b>(8,774)</b>	<b>590,905</b>	<b>(133,985)</b>	<b>(190,455)</b>	<b>461,142</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>1,561,831</b>	<b>(8,774)</b>	<b>590,905</b>	<b>(133,985)</b>	<b>(1,144,316)</b>	<b>865,661</b>