# KAI !GARIB LOCAL MUNICIPALITY

(Registration number NC082)

# AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

These audited annual financial statements was audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

# Index

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

# Index

**Abbreviations**

| | |
|---|---|
| ASB | Accounting Standards Board |
| D.W.A.F. | Department of Water Affairs and Forestry |
| DBSA | Development Bank of South Africa |
| EPWPIG | Expanded Public Works Programme Incentive Grant |
| FMG | Finance Management Grant |
| GRAP | Generally Recognized Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| LG SETA | Local Government Sector Education Training Programme |
| MEC | Member of the Executive Council |
| ME's | Municipal Entities |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| MSIG | Municipal Systems Improvement Grant |
| NCL | Non current liability |
| PAYE | Pay As You Earn |
| SDL | Skills Development Levy |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Taxation |
| WCA | Workers Compensation Administration |

**Relevant Legislation**

Constitution of the Republic of South Africa (Act no 108 of 1996)
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)
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)

# General Information

| | |
|---|---|
| **Legal form of entity** | South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) |
| **Nature of business and principal activities** | Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996) |
| **Vision statement** | Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development. |
| **Mission statement** | Provision of transparent, accountable and sustainable service delivery. |
| **Demarcation code** | NC082 |
| **Grading of local authority** | Low capacity municipality |
| **Accounting Officer** | Mr. J.G. Lategan (Acting) |
| **Chief Finance Officer (CFO)** | Mr. J. Krapohl |
| **Registered office** | 164 11th Avenue<br>Kakamas<br>8870 |
| **Postal address** | Private Bag X 6<br>Kakamas<br>8870 |
| **Bankers** | ABSA Bank Limited<br>Standard Bank Limited |
| **Auditors** | External: Auditor General of South Africa<br>Internal: Internal Audit Unit |
| **Attorneys** | Brink & Genote Inc.<br>Mjila & Partners<br>Van der Westhuizen Le Roux Ing.<br>Wessels & Smith Attorneys Inc. |
| **Preparer** | The audited annual financial statements were internally compiled by Wim Scheepers, the Budget and Reporting Manager. |
| **Telephone number** | (054) 431 6300 |
| **Fax number** | (054) 431 6301 |
| **Email address** | admin@kaigarib.gov.za |
| **Website** | www.kaigarib.gov.za |

# Members of the Municipal Council

| | | |
|---|---|---|
| **Mayor** | Cllr. J.J.J. Olyn | |
| **Speaker** | Cllr. S. Jacob | |
| **Ward councillors** | Cllr. W.D. Klim | ANC |
| | Cllr. A.C. Snyers | ANC |
| | Cllr. B.M. Bock | ANC |
| | Cllr. A.M. Isaacs | ANC |
| | Cllr. A.V. du Plessis | ANC |
| | Cllr. W.N. Afrikaner | ANC |
| | Cllr. W.B. Kampfer | ANC |
| | Cllr. D.W. Fienies | ANC |
| | Cllr. E.E. Frits | ANC |
| **Proportional members** | Cllr. E. Mompe | COPE |
| | Cllr. M.M.J. Titus | COPE |
| | Cllr. A. van der Westhuizen | DA |
| | Cllr. A.M. van Wyk | DA |
| | Cllr. E. Meyer | DA |
| | Cllr. C. Markgraaf | DA |

**Council committees**

**Executive committee**

| | |
|---|---|
| Chairperson: | Cllr. J.J.J. Olyn |
| Members: | Cllr. D.W. Fienies |
| | Cllr. E. Meyer |

**Socio-economic development committee**

| | |
|---|---|
| Chairperson: | Cllr. E.E. Fritz |
| Members: | Cllr. A.M. Isaacs |
| | Cllr. D. W. Fienies |
| | Cllr. M.M.J. Titus |
| | Cllr. A.M. van Wyk |

**Institutional development committee**

| | |
|---|---|
| Chairperson: | Cllr. A.V. Du Plessis |
| Members: | Cllr. B.M. Bock |
| | Cllr. W.N. Afrikaner |
| | Cllr. A. van der Westhuizen |
| | Cllr. M.M.J. Titus |

**Infrastructure development committee**

| | |
|---|---|
| Chairperson: | Cllr. D.W. Fienies |
| Members: | Cllr. A.C. Snyers |
| | Cllr. W.B. Kampfer |
| | Cllr. C. Markgraaf |
| | Cllr. E. Mompe |

**Municipal public account committee:**

| | |
|---|---|
| Chairperson: | Cllr. W.D. Klim |
| Members: | Cllr. A.C. Snyers |
| | Cllr. A.V. Du Plessis |
| | Cllr. E. Mompe |
| | Cllr. A.M. van Wyk |

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## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The audited annual financial statements will be examined by the municipality's external auditors and their report will be presented after the annual auditing process.

The audited annual financial statements set out on pages 6 to 94, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by him:

**Mr. J.G. Lategan (Acting)**
**Municipal Manager (Accounting Officer)**
**Kai !Garib Local Municipality**
**31 August 2016**

# Accounting Officer's Report

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

**1. Review of activities**

**Main business and operations**

Kai !Garib Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996) and operates principally in South Africa.

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

Net deficit of the municipality was R 45,942,386 (2015: deficit R 43,492,456).

**2. Going concern**

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

**3. Subsequent events**

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

**4. Accounting Officer's interest in contracts**

The account officer has no interest in contracts awarded, either direct or indirect.

**5. Accounting policies**

The audited annual financial statements is prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) 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 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

**6. Accounting Officer**

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

| Name | Nationality |
|---|---|
| Mr. J.G. Lategan (Acting) | South Africa |

**7. Corporate governance**

**General**

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a three month basis.

The salient features of the municipality's adoption of the Code is outlined below:

# Accounting Officer's Report

**Audit committee**

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Mr. N. Erasmus and Me. A. Viljoen.

**Internal audit**

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

## 8. Bankers

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

## 9. Auditors

The following auditors will continue in office for the following financial period:

- External: External: Auditor General of South Africa
- Internal: Internal Audit Unit

## 10. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Curriecamp
- Lennertsville
- Lutzburg
- Mactaggertscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil

# Munisipaliteit Kai !Garib Municipality

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## Certification of Remuneration of Councillors

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 and according to the Government Gazette 39548 dated 21/12/2015. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27/03/2015 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Mr. J.G. Lategan (Acting)**
**Municipal Manager (Accounting Officer)**
**Kai !Garib Local Municipality**
**31 August 2016**

# Statement of Financial Position as at 30 June 2016

| Figures in Rand | Notes | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 1,204,168 | 1,650,678 |
| Inventories | 4 | 2,962,942 | 926,698 |
| Other financial assets | 5 | 2,389,846 | 2,094,769 |
| Receivables from exchange transactions | 6&8 | 29,907,044 | 25,093,251 |
| Receivables from non-exchange transactions | 7&8 | 13,241,899 | 10,336,802 |
| VAT receivable | 9 | - | 2,162,824 |
| **Total Current Assets** | | **49,705,899** | **42,265,022** |
| **Non-Current Assets** | | | |
| Other financial assets | 5 | 1,603,647 | 1,516,210 |
| Intangible assets | 10 | 94,755 | 75,427 |
| Investment property | 11 | 1,417,000 | 1,300,000 |
| Property, plant and equipment | 12 | 740,026,749 | 762,702,858 |
| **Total Non-Current Assets** | | **743,142,151** | **765,594,495** |
| **Total Assets** | | **792,848,050** | **807,859,517** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Bank overdraft | 3 | - | 526,905 |
| Consumer deposits | 14 | 1,666,893 | 1,628,822 |
| Finance lease obligation | 16 | 439,051 | 894,127 |
| Other financial liabilities | 17 | 6,366,852 | 4,585,818 |
| Payables from exchange transactions | 18 | 161,285,648 | 138,734,445 |
| Provisions | 19 | 5,192,375 | 2,565,597 |
| Unspent conditional grants and receipts | 20 | 163,544 | 6,168,946 |
| VAT payable | 21 | 5,608,252 | - |
| **Total Current Liabilities** | | **180,722,615** | **155,104,660** |
| **Non-Current Liabilities** | | | |
| Employee benefit obligation | 15 | 18,703,014 | 16,860,229 |
| Finance lease obligation | 16 | - | 439,051 |
| Other financial liabilities | 17 | 3,118,642 | 4,783,445 |
| Provisions | 19 | 48,215,083 | 42,641,059 |
| **Total Non-Current Liabilities** | | **70,036,739** | **64,723,784** |
| **Total Liabilities** | | **250,759,354** | **219,828,444** |
| **Net Assets** | | **542,088,696** | **588,031,073** |
| Accumulated surplus | | 542,088,696 | 588,031,073 |

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

# Statement of Financial Performance for the year ended 30 June 2016

| Figures in Rand | Notes | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Agency services | 23 | 1,107,658 | 957,431 |
| Interest received | 24 | 11,264,426 | 9,574,817 |
| Rental of facilities and equipment | 25 | 214,426 | 204,078 |
| Service charges | 26 | 96,991,664 | 81,130,237 |
| Other income | 27 | 972,349 | 1,365,947 |
| **Total revenue from exchange transactions** | | **110,550,523** | **93,232,510** |
| **Revenue from non-exchange transactions** | | | |
| Property rates | 28 | 15,556,330 | 13,588,100 |
| Property rates - penalties imposed | 28 | 1,185 | 141,861 |
| **Transfer revenue** | | | |
| Fines | 29 | 117,424 | 302,527 |
| Government grants and subsidies | 30 | 74,290,492 | 80,428,411 |
| **Total revenue from non-exchange transactions** | | **89,965,431** | **94,460,899** |
| **Total revenue** | 22 | **200,515,954** | **187,693,409** |
| **Expenditure** | | | |
| Bulk purchases | 31 | 50,869,470 | 45,018,457 |
| Contracted services | 32 | 14,565,247 | 10,576,377 |
| Debt impairment | 33 | 15,612,017 | 13,637,914 |
| Depreciation and amortisation | 34 | 21,298,189 | 30,158,565 |
| Employee related costs | 35 | 91,860,505 | 86,266,134 |
| Finance costs | 36 | 11,934,139 | 2,693,701 |
| General expenses | 37 | 21,367,482 | 21,854,279 |
| Remuneration of councillors | 38 | 5,650,962 | 4,960,501 |
| Repairs and maintenance | 39 | 1,559,452 | 2,788,139 |
| Transfers and subsidies | 40 | 12,257,877 | 13,331,798 |
| **Total expenditure** | | **246,975,340** | **231,285,865** |
| **Operating deficit** | 43 | **(46,459,386)** | **(43,592,456)** |
| Fair value adjustments | 41 | 117,000 | 100,000 |
| Gain on disposal of assets and liabilities | | 400,000 | - |
| | | **517,000** | **100,000** |
| **Deficit for the year** | | **(45,942,386)** | **(43,492,456)** |

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

# Statement of Changes in Net Assets for the year ended 30 June 2016

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| Opening balance as previously reported | 664,214,393 | 664,214,393 |
| Adjustments | | |
| Prior year adjustments | (32,690,864) | (32,690,864) |
| **Balance at 01 July 2014 as restated*** | **631,523,529** | **631,523,529** |
| Changes in net assets | | |
| Deficit for the year | (43,492,456) | (43,492,456) |
| Total changes | (43,492,456) | (43,492,456) |
| **Balance at 01 July 2015** | **588,031,082** | **588,031,082** |
| Changes in net assets | | |
| Deficit for the year | (45,942,386) | (45,942,386) |
| Total changes | (45,942,386) | (45,942,386) |
| **Balance at 30 June 2016** | **542,088,696** | **542,088,696** |

Notes

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

# Cash Flow Statement for the year ended 30 June 2016

| Figures in Rand | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Taxation | | 15,557,515 | 13,729,961 |
| Sale of goods and services | | 96,635,128 | 85,663,760 |
| Grants | | 65,497,417 | 78,279,579 |
| Interest income | | 11,264,426 | 9,574,817 |
| | | 188,954,486 | 187,248,117 |
| **Payments** | | | |
| Employee costs | | (95,668,682) | (88,519,144) |
| Suppliers | | (66,257,439) | (41,900,284) |
| Finance costs | | (11,855,888) | (2,522,596) |
| | | (173,782,009) | (132,942,024) |
| **Net cash flows from operating activities** | 44 | **15,172,477** | **54,306,093** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | (15,862,404) | (22,757,403) |
| Proceeds from sale of property, plant and equipment | 12 | 1,973,040 | 3,996,633 |
| Purchase of other intangible assets | 10 | (42,308) | - |
| Proceeds from sale of financial assets | | (382,514) | 3,201,358 |
| **Net cash flows from investing activities** | | **(14,314,186)** | **(15,559,412)** |
| **Cash flows from financing activities** | | | |
| Repayment of other financial liabilities | | 116,231 | 1,380,126 |
| Finance lease payments | | (894,127) | (1,260,216) |
| **Net cash flows from financing activities** | | **(777,896)** | **119,910** |
| **Net increase/(decrease) in cash and cash equivalents** | | **80,395** | **38,866,591** |
| Cash and cash equivalents at the beginning of the year | | 1,123,773 | (37,742,818) |
| **Cash and cash equivalents at the end of the year** | 3 | **1,204,168** | **1,123,773** |

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

# Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2016

**Budget on Cash Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue by source** | | | | | | |
| Property rates | 26,218,845 | (3,533,487) | **22,685,358** | 15,557,515 | **(7,127,843)** | |
| Service charges | 80,642,500 | 972,500 | **81,615,000** | 96,991,664 | **15,376,664** | |
| Investment revenue | 8,103,005 | 3,358,945 | **11,461,950** | 11,478,852 | **16,902** | |
| Transfers recognised - operational | 56,332,000 | (4,690,000) | **51,642,000** | 52,996,090 | **1,354,090** | |
| Other own revenue | 8,970,925 | (7,557,925) | **1,413,000** | 2,714,433 | **1,301,433** | |
| **Total Revenue (excluding capital transfers and contributions)** | **180,267,275** | **(11,449,967)** | **168,817,308** | **179,738,554** | **10,921,246** | |
| **Expenditure by type** | | | | | | |
| Employee costs | (72,451,242) | (14,346,458) | **(86,797,700)** | (91,860,498) | **(5,062,798)** | |
| Remuneration of councillors | (4,937,000) | (1,559,000) | **(6,496,000)** | (5,650,962) | **845,038** | |
| Debt impairment | (16,500,000) | 16,500,000 | **-** | (15,612,017) | **(15,612,017)** | |
| Depreciation & asset impairment | - | - | **-** | (21,298,189) | **(21,298,189)** | |
| Finance charges | (1,820,000) | 1,820,000 | **-** | (11,934,139) | **(11,934,139)** | |
| Materials and bulk purchases | (59,395,080) | (3,258,420) | **(62,653,500)** | (66,994,169) | **(4,340,669)** | |
| Transfers and grants | (5,738,667) | (18,572,538) | **(24,311,205)** | (12,257,877) | **12,053,328** | |
| Other expenditure | (20,925,279) | 4,043,679 | **(16,881,600)** | (21,367,482) | **(4,485,882)** | |
| **Total expenditure** | **(181,767,268)** | **(15,372,737)** | **(197,140,005)** | **(246,975,333)** | **(49,835,328)** | |
| **Surplus/(deficit)** | **(1,499,993)** | **(26,822,704)** | **(28,322,697)** | **(67,236,779)** | **(38,914,082)** | |
| Transfers recognised - capital | 23,284,000 | - | **23,284,000** | 21,294,402 | **(1,989,598)** | |
| **Surplus/(deficit) after capital transfers & contributions** | **21,784,007** | **(26,822,704)** | **(5,038,697)** | **(45,942,377)** | **(40,903,680)** | |
| **Surplus/(deficit) for the year** | **21,784,007** | **(26,822,704)** | **(5,038,697)** | **(45,942,377)** | **(40,903,680)** | |

# Statement of Comparison of Budget and Actual Amounts

**Budget on Cash Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Cash | 3,589,900 | (893,425) | **2,696,475** | 1,204,168 | **(1,492,307)** | |
| Call investment deposits | 66,978 | - | **66,978** | 66,978 | **-** | |
| Consumer debtors | 37,723,416 | 32,671,299 | **70,394,715** | 42,933,030 | **(27,461,685)** | |
| Other debtors | - | - | **-** | 215,913 | **215,913** | |
| Current portion of other financial assets | 998,400 | (196,340) | **802,060** | 2,322,868 | **1,520,808** | |
| Inventory | 1,432,000 | (462,525) | **969,475** | 2,962,942 | **1,993,467** | |
| | **43,810,694** | **31,119,009** | **74,929,703** | **49,705,899** | **(25,223,804)** | |
| **Non-Current Assets** | | | | | | |
| Other financial assets | 4,870,000 | (2,831,603) | **2,038,397** | 1,603,646 | **(434,751)** | |
| Investment property | 1,300,000 | - | **1,300,000** | 1,417,000 | **117,000** | |
| Property, plant and equipment | 763,042,130 | 61,097,950 | **824,140,080** | 740,026,748 | **(84,113,332)** | |
| Intangible assets | 42,160 | 75,575 | **117,735** | 94,755 | **(22,980)** | |
| | **769,254,290** | **58,341,922** | **827,596,212** | **743,142,149** | **(84,454,063)** | |
| **Total Assets** | **813,064,984** | **89,460,931** | **902,525,915** | **792,848,048** | **(109,677,867)** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Bank overdraft | - | 7,841,091 | **7,841,091** | - | **(7,841,091)** | |
| Borrowing | 2,381,965 | 1,328,187 | **3,710,152** | 6,805,904 | **3,095,752** | |
| Consumer deposits | 1,700,000 | (10,548) | **1,689,452** | 1,666,893 | **(22,559)** | |
| Trade and other payables | 24,469,383 | 98,968,717 | **123,438,100** | 167,057,438 | **43,619,338** | |
| Provisions | 5,777,503 | (3,211,906) | **2,565,597** | 5,192,375 | **2,626,778** | |
| | **34,328,851** | **104,915,541** | **139,244,392** | **180,722,610** | **41,478,218** | |
| **Non-Current Liabilities** | | | | | | |
| Borrowing | 6,876,102 | (195,067) | **6,681,035** | 3,118,643 | **(3,562,392)** | |
| Provisions | 53,775,204 | 5,726,084 | **59,501,288** | 66,918,097 | **7,416,809** | |
| | **60,651,306** | **5,531,017** | **66,182,323** | **70,036,740** | **3,854,417** | |
| **Total Liabilities** | **94,980,157** | **110,446,558** | **205,426,715** | **250,759,350** | **45,332,635** | |
| **Net Assets** | **718,084,827** | **(20,985,627)** | **697,099,200** | **542,088,698** | **(155,010,502)** | |
| **Community wealth/equity** | | | | | | |
| Accumulated Surplus/(Deficit) | 718,084,827 | (20,985,627) | **697,099,200** | 542,088,698 | **(155,010,502)** | |
| **Total community wealth/equity** | **718,084,827** | **(20,985,627)** | **697,099,200** | **542,088,698** | **(155,010,502)** | |

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

## Appropriation Statement for the year ended 30 June 2016

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 26,218,845 | (3,533,486) | 22,685,359 | - | | 22,685,359 | 15,557,515 | | (7,127,844) | 69 % | 59 % |
| Service charges | 80,642,500 | 972,500 | 81,615,000 | - | | 81,615,000 | 96,991,664 | | 15,376,664 | 119 % | 120 % |
| Investment revenue | 7,920,000 | 3,280,000 | 11,200,000 | - | | 11,200,000 | 11,264,426 | | 64,426 | 101 % | 142 % |
| Transfers recognised - operational | 56,332,000 | (4,690,000) | 51,642,000 | - | | 51,642,000 | 52,996,090 | | 1,354,090 | 103 % | 94 % |
| Other own revenue | 9,153,930 | (7,478,980) | 1,674,950 | - | | 1,674,950 | 2,928,857 | | 1,253,907 | 175 % | 32 % |
| **Total revenue (excluding capital transfers and contributions)** | **180,267,275** | **(11,449,966)** | **168,817,309** | **-** | | **168,817,309** | **179,738,552** | | **10,921,243** | **106 %** | **100 %** |
| Employee costs | (72,451,247) | (14,346,453) | (86,797,700) | - | - | (86,797,700) | (91,860,505) | 5,062,805 | (5,062,805) | 106 % | 127 % |
| Remuneration of councillors | (4,937,000) | (1,559,000) | (6,496,000) | - | - | (6,496,000) | (5,650,962) | - | 845,038 | 87 % | 114 % |
| Debt impairment | (16,500,000) | 16,500,000 | - | | | - | (15,612,017) | 15,612,017 | (15,612,017) | DIV/0 % | 95 % |
| Depreciation and asset impairment | - | - | - | | | - | (21,298,189) | 21,298,189 | (21,298,189) | DIV/0 % | DIV/0 % |
| Finance charges | (1,820,000) | 1,820,000 | - | - | - | - | (11,934,139) | 11,934,139 | (11,934,139) | DIV/0 % | 656 % |
| Materials and bulk purchases | (50,350,000) | 3,750,000 | (46,600,000) | - | - | (46,600,000) | (50,869,470) | 4,269,470 | (4,269,470) | 109 % | 101 % |
| Transfers and grants | (5,738,667) | (18,572,538) | (24,311,205) | - | - | (24,311,205) | (12,257,877) | - | 12,053,328 | 50 % | 214 % |
| Other expenditure | (29,970,359) | (2,964,741) | (32,935,100) | - | - | (32,935,100) | (37,492,181) | 4,557,081 | (4,557,081) | 114 % | 125 % |
| **Total expenditure** | **(181,767,273)** | **(15,372,732)** | **(197,140,005)** | **-** | **-** | **(197,140,005)** | **(246,975,340)** | **62,733,701** | **(49,835,335)** | **125 %** | **136 %** |
| **Surplus/(Deficit)** | **(1,499,998)** | **(26,822,698)** | **(28,322,696)** | **-** | | **(28,322,696)** | **(67,236,788)** | | **(38,914,092)** | **237 %** | **4,482 %** |

## Appropriation Statement

| Figures in Rand | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transfers recognised - capital | 23,284,000 | - | 23,284,000 | - | | 23,284,000 | 21,294,402 | | (1,989,598) | 91 % | 91 % |
| **Surplus (Deficit) after capital transfers and contributions** | **21,784,002** | **(26,822,698)** | **(5,038,696)** | **-** | | **(5,038,696)** | **(45,942,386)** | | **(40,903,690)** | **912 %** | **(211)%** |
| **Surplus/(Deficit) for the year** | **21,784,002** | **(26,822,698)** | **(5,038,696)** | **-** | | **(5,038,696)** | **(45,942,386)** | | **(40,903,690)** | **912 %** | **(211)%** |
| **Capital expenditure and funds sources** | | | | | | | | | | | |
| Total capital expenditure | 23,495,359 | 22,758,325 | 46,253,684 | - | | 46,253,684 | 24,666,940 | | (21,586,744) | 53 % | 105 % |
| **Cash flows** | | | | | | | | | | | |
| Net cash from (used) operating | - | - | - | - | | - | 15,172,477 | | 15,172,477 | DIV/0 % | DIV/0 % |
| Net cash from (used) investing | - | - | - | - | | - | (14,314,186) | | (14,314,186) | DIV/0 % | DIV/0 % |
| Net cash from (used) financing | - | - | - | - | | - | (777,896) | | (777,896) | DIV/0 % | DIV/0 % |
| **Net increase/(decrease) in cash and cash equivalents** | **-** | **-** | **-** | **-** | | **-** | **80,395** | | **80,395** | **DIV/0 %** | **DIV/0 %** |
| Cash and cash equivalents at the beginning of the year | 3,334,600 | - | 3,334,600 | - | | 3,334,600 | 1,123,773 | | (2,210,827) | 34 % | 34 % |
| **Cash and cash equivalents at year end** | **3,334,600** | **-** | **3,334,600** | **-** | | **3,334,600** | **1,204,168** | | **2,130,432** | **36 %** | **36 %** |

# Appropriation Statement for the year ended 30 June 2016

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **2015** | | | | |
| **Financial Performance** | | | | |
| Property rates | | | | 13,729,961 |
| Service charges | | | | 81,130,237 |
| Investment revenue | | | | 9,574,817 |
| Transfers recognised - operational | | | | 55,351,115 |
| Other own revenue | | | | 2,929,983 |
| **Total revenue (excluding capital transfers and contributions)** | | | | **162,716,113** |
| Employee costs | - | - | - | (86,266,134) |
| Remuneration of councillors | - | - | - | (4,960,501) |
| Debt impairment | - | - | - | (13,637,914) |
| Depreciation and asset impairment | - | - | - | (30,158,565) |
| Finance charges | - | - | - | (2,693,701) |
| Materials and bulk purchases | - | - | - | (45,018,457) |
| Transfers and grants | - | - | - | (13,331,798) |
| Other expenditure | - | - | - | (35,218,795) |
| **Total expenditure** | **-** | **-** | **-** | **(231,285,865)** |
| **Surplus/(Deficit)** | | | | **(68,569,752)** |
| Transfers recognised - capital | | | | 25,077,296 |
| **Surplus (Deficit) after capital transfers and contributions** | | | | **(43,492,456)** |
| **Surplus/(Deficit) for the year** | | | | **(43,492,456)** |
| **Capital expenditure and funds sources** | | | | |
| Total capital expenditure | | | | 14,146,057 |

## Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **Cash flows** | | | | |
| Net cash from (used) operating | | | | 54,306,093 |
| Net cash from (used) investing | | | | (15,559,412) |
| Net cash from (used) financing | | | | 119,910 |
| **Net increase/(decrease) in cash and cash equivalents** | | | | **38,866,591** |
| Cash and cash equivalents at the beginning of the year | | | | (37,742,818) |
| **Cash and cash equivalents at year end** | | | | **1,123,773** |

The accounting policies on pages 19 to 49 and the notes on pages 50 to 94 form an integral part of the audited annual financial statements.

# Accounting Policies

## 1. Presentation of Audited Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

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

The amounts disclosed in the audited annual financial statementsare rounded-off to the nearest Rand.

### 1.2 Going concern assumption

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

### 1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

**Allowance for slow moving, damaged and obsolete stock**

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

# Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

**Fair value estimation**

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

**Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

**Useful lives of waste and water network and other assets**

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

**Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

**Effective interest rate**

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

**Allowance for doubtful debts**

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

# Accounting Policies

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

**Fair value**

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;
- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

The municipality has capitalised the provision for landfill rehabilitation as per GRAP 17 (Property, plant and equipment). In accordance with GRAP 17, this asset is depreciated over the estimated useful life of the landfill, as determined in the valuation of the landfill rehabilitation provision.

Depreciation only commences when the asset is ready for its intended use.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | Straight line | Indefinite |
| Buildings | Straight line | 10-50 years |
| Plant and machinery | Straight line | 2-80 years |
| Furniture and fixtures | Straight line | 3-15 years |
| Motor vehicles | Straight line | 3-15 years |
| Office equipment | Straight line | 2-5 years |
| Computer equipment | Straight line | 2-5 years |
| Infrastructure | Straight line | 5-60 years |
| Community | Straight line | 5-60 years |
| Landfill sites | Straight line | 1-12 years |

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

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

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

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

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

# Accounting Policies

### 1.5 Property, plant and equipment (continued)

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

### 1.6 Site restoration and dismantling cost

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

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

### 1.7 Intangible assets

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

# Accounting Policies

### 1.7 Intangible assets (continued)

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

| Item | Useful life |
|---|---|
| Computer software | 2 years |

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.8 Heritage assets

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

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

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

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

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

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

**Recognition**

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

**Initial measurement**

Heritage assets are measured at cost.

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

**Impairment**

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

# Accounting Policies

### 1.8 Heritage assets (continued)

**Derecognition**

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

# Accounting Policies

### 1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

# Accounting Policies

### 1.9 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**Classification**

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

| Class | Category |
|---|---|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Consumer debtors | Financial asset measured at amortised cost |
| Other financial assets | Financial asset measured at fair value |

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

| Class | Category |
|---|---|
| Consumer deposits | Financial liability measured at amortised cost |
| Finance lease obligations | Financial liability measured at amortised cost |
| Other financial liabilities (DBSA) | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

**Initial recognition**

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

The entity recognises financial assets using trade date accounting.

# Accounting Policies

### 1.9 Financial instruments (continued)

**Subsequent measurement of financial assets and financial liabilities**

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

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

**Fair value measurement considerations**

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

**Gains and losses**

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

**Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

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

# Accounting Policies

### 1.9 Financial instruments (continued)

**Derecognition**

**Financial assets**

The municipality derecognises financial assets using trade date accounting.

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

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

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

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

**Financial liabilities**

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

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

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

# Accounting Policies

### 1.9 Financial instruments (continued)

**Presentation**

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

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

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

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

### 1.10 Leases

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

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

**Finance leases - lessee**

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

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

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

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

**Operating leases - lessee**

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

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

# Accounting Policies

### 1.11 Inventories (continued)

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

# Accounting Policies

### 1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

**Identification**

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

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

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

**Value in use**

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

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

# Accounting Policies

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

**Basis for estimates of future cash flows**

In measuring value in use the municipality:

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

**Discount rate**

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

**Reversal of impairment loss**

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

# Accounting Policies

### 1.14 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

**Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Accounting Policies

### 1.14 Employee benefits (continued)

**Post-employment benefits**

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

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

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

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an 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.

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

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

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

# Accounting Policies

**1.14 Employee benefits (continued)**

**Post-employment benefits: Defined benefit plans**

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

# Accounting Policies

### 1.14 Employee benefits (continued)

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

**Post-retirement health care benefits**

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all medical aid funds, with which the municipality is associated, provide forcontinued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations i1n the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**Provincially-administered defined benefit plans**

The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

# Accounting Policies

### 1.14 Employee benefits (continued)

**Defined benefit pension plans**

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the corridor method. Actuarial gains and losses are eligible for recognition in the statement of financial performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**Long-service allowance**

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

# Accounting Policies

### 1.15 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

# Accounting Policies

### 1.15 Provisions and contingencies (continued)

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 under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

**Transitional provision**

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2016 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 19.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

# Accounting Policies

### 1.16 Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital.

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which an municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.18 Revenue from exchange transactions

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

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

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

**Measurement**

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

# Accounting Policies

### 1.18 Revenue from exchange transactions (continued)

**Sale of goods**

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

**Rendering of services**

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

**Interest and Investment income**

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

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

Interest earned on investments is recognised in the statement of financial performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unspent conditional grants is allocated directly to the creditor: unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

# Accounting Policies

### 1.18 Revenue from exchange transactions (continued)

**Service charges**

Service charges are levied in terms of approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**Pre-paid electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

**Rentals received**

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

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

### 1.19 Revenue from non-exchange transactions

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

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

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

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

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

# Accounting Policies

### 1.19 Revenue from non-exchange transactions (continued)

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

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

**Recognition**

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

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

**Measurement**

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

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

**Fines**

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

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

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

**Gifts and donations, including goods in-kind**

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

**Services in-kind**

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

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

**Grants, Transfers and Donations**

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.

# Accounting Policies

### 1.20 Revenue

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

### 1.21 Investment income

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

### 1.22 Borrowing costs

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

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

### 1.23 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

### 1.24 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. 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 adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.25 Unauthorised expenditure

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

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

### 1.26 Fruitless and wasteful expenditure

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

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

### 1.27 Irregular expenditure

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

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

# Accounting Policies

### 1.27 Irregular expenditure (continued)

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

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

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

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

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

### 1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.29 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

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

# Accounting Policies

### 1.30 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

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

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

### 1.31 Related parties

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

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

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

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

### 1.32 Events after reporting date

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

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

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

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

### 1.33 Offsetting

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

# Accounting Policies

### 1.34 Change on accounting policies estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 2. New standards and interpretations

### 2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

**GRAP 16 (as amended 2015): Investment Property**

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has early adopted the standard for the first time in the 2016 audited annual financial statements.

The impact of the standard is not material.

**GRAP 17 (as amended 2015): Property, Plant and Equipment**

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:
- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has early adopted the standard for the first time in the 2016 audited annual financial statements.

The impact of the standard is not material.

# Notes to the Audited Annual Financial Statements

**2. New standards and interpretations (continued)**

**2.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

**GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's audited annual financial statements contain 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.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity 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 entity or an entity related to the entity. 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); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

# Notes to the Audited Annual Financial Statements

**2. New standards and interpretations (continued)**

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

**GRAP 21 (as amended 2015): Impairment of non-cash-generating assets**

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:
- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

# Notes to the Audited Annual Financial Statements

**2. New standards and interpretations (continued)**

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 audited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

**GRAP 26 (as amended 2015): Impairment of cash-generating assets**

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 audited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 587,576 | 890,178 |
| Bank overdraft | - | (526,905) |
| Cash on hand | 2,292 | 104 |
| Short-term deposits | 614,300 | 760,396 |
| | **1,204,168** | **1,123,773** |

| | | |
|---|---|---|
| Current assets | 1,204,168 | 1,650,678 |
| Current liabilities | - | (526,905) |
| | **1,204,168** | **1,123,773** |

| | | |
|---|---|---|
| The total amount of undrawn facilities available for future operating activities and commitments | 614,300 | 760,396 |

**The municipality had the following bank accounts**

| Description / account number | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2016 | 30 June 2015 | 30 June 2014 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
| **Current accounts** | | | | | | |
| ABSA Bank Limited: 4051 445 435 | 453,884 | 55,763 | (95,054) | 453,884 | (526,905) | (40,147,304) |
| Standard Bank Limited: 0417 902 19 | 133,692 | 711,194 | 488,116 | 133,692 | 890,178 | 664,261 |
| **Short-term Investments** | | | | | | |
| ABSA Bank Limited: 9117 271 903 | 222,927 | 103,390 | 1,089,683 | 222,927 | 103,390 | 1,089,683 |
| First National Bank: 6200 698 309 4 | 2,047 | 2,427 | 2,513 | 2,047 | 2,427 | 2,513 |
| First National Bank: 6209 133 690 1 | - | 191,669 | 183,952 | - | 191,669 | 183,952 |
| First National Bank: 6209 576 378 8 | - | 30,553 | 29,510 | - | 30,553 | 29,510 |
| Standard Bank Limited: 0486 432 700 02 | 10,068 | 52,314 | 50,903 | 10,068 | 52,314 | 50,903 |
| Standard Bank Limited: 0489 042 950 04 | 59,930 | 58,221 | 56,650 | 59,930 | 58,221 | 56,650 |
| Stanlib: I533 550 21 | 319,328 | 321,821 | 327,013 | 319,328 | 321,821 | 327,014 |
| **Total** | **1,201,876** | **1,527,352** | **2,133,286** | **1,201,876** | **1,123,668** | **(37,742,818)** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 4. Inventories

| | | |
|---|---|---|
| Maintenance materials | 2,884,731 | 856,589 |
| RDP Properties | 1,463 | 1,463 |
| Water | 76,748 | 68,646 |
| | **2,962,942** | **926,698** |

No impairments of the values of inventory have been written off as management considers that all stores are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

## 5. Other financial assets

**Designated at fair value**

| | | |
|---|---|---|
| Long-term debtors | 14,880,350 | 13,472,750 |
| The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months. | | |
| Old Mutual - 1166 5522 | 66,978 | 66,978 |
| The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2016. | | |
| | 14,947,328 | 13,539,728 |
| Impairments - Long-term debtors | (10,953,835) | (9,928,749) |
| | **3,993,493** | **3,610,979** |

| | | |
|---|---|---|
| **Non-current assets** | | |
| Designated at fair value | 1,603,647 | 1,516,210 |
| **Current assets** | | |
| Designated at fair value | 2,389,846 | 2,094,769 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 6. Receivables from exchange transactions

| | | |
|---|---|---|
| Consumer debtors - Electricity | 14,675,374 | 11,814,514 |
| Consumer debtors - Water | 7,567,289 | 6,462,364 |
| Consumer debtors - Waste water | 3,457,813 | 3,233,582 |
| Consumer debtors - Refuse | 2,642,553 | 2,369,697 |
| Consumer debtors - Long-term debtors | 968,340 | 591,826 |
| Consumer debtors - Other | 595,675 | 621,268 |
| | **29,907,044** | **25,093,251** |

The carrying amount of trade and other receivables are denominated in the following currencies:

| | | |
|---|---|---|
| Rand | 29,907,044 | 25,093,251 |

**Reconciliation of provision for impairment of trade and other receivables**

| | | |
|---|---|---|
| Opening balance | (74,110,328) | (62,983,956) |
| Provision for impairment | (14,415,928) | (11,126,372) |
| | **(88,526,256)** | **(74,110,328)** |

## 7. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Consumer debtors - Rates | 13,025,985 | 10,138,193 |
| Traffic fines | 208,730 | 198,609 |
| Municipal employees | 7,184 | - |
| | **13,241,899** | **10,336,802** |

**Receivables from non-exchange transactions impaired**

As of 30 June 2016, other receivables from non-exchange transactions of R - (2015: R -) were impaired and provided for.

The amount of the provision was R (20,478,981) as of 30 June 2016 (2015: R (19,276,147)).

The ageing of these loans is as follows:

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

| | | |
|---|---|---|
| Rand | 13,241,899 | 10,336,802 |

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

| | | |
|---|---|---|
| Opening balance | (19,276,147) | (18,083,925) |
| Provision for impairment | (1,202,834) | (1,192,222) |
| | **(20,478,981)** | **(19,276,147)** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 8. Consumer debtors disclosure

| | | |
|---|---|---|
| **Gross balances** | | |
| Consumer debtors - Rates | 33,504,967 | 29,414,340 |
| Consumer debtors - Electricity | 34,717,866 | 27,391,775 |
| Consumer debtors - Water | 38,751,233 | 32,635,052 |
| Consumer debtors - Waste water | 15,588,662 | 13,376,663 |
| Consumer debtors - Refuse | 14,870,725 | 12,420,713 |
| Consumer debtors - Long-term debtor's installments | 4,560,303 | 3,455,081 |
| Consumer debtors - Other | 9,944,511 | 9,924,295 |
| | **151,938,267** | **128,617,919** |
| **Less: Allowance for impairment** | | |
| Consumer debtors - Rates | (20,478,982) | (19,276,147) |
| Consumer debtors - Electricity | (20,042,492) | (15,577,261) |
| Consumer debtors - Water | (31,183,944) | (26,172,688) |
| Consumer debtors - Waste water | (12,130,849) | (10,143,081) |
| Consumer debtors - Refuse | (12,228,172) | (10,051,016) |
| Consumer debtors - Long-term debtor's installments | (3,591,963) | (2,863,255) |
| Consumer debtors - Other | (9,348,836) | (9,303,027) |
| | **(109,005,238)** | **(93,386,475)** |
| **Net balance** | | |
| Consumer debtors - Rates | 13,025,985 | 10,138,193 |
| Consumer debtors - Electricity | 14,675,374 | 11,814,514 |
| Consumer debtors - Water | 7,567,289 | 6,462,364 |
| Consumer debtors - Waste water | 3,457,813 | 3,233,582 |
| Consumer debtors - Refuse | 2,642,553 | 2,369,697 |
| Consumer debtors - Long-term debtor's installments | 968,340 | 591,826 |
| Consumer debtors - Other | 595,675 | 621,268 |
| | **42,933,029** | **35,231,444** |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 14,675,374 | 11,814,514 |
| Water | 7,567,289 | 6,462,364 |
| Waste water | 3,457,813 | 3,233,582 |
| Refuse | 2,642,553 | 2,369,697 |
| Long-term debtor's installments | 968,340 | 591,826 |
| Other | 595,675 | 621,268 |
| **Total receivables from exchange transactions** | **29,907,044** | **25,093,251** |
| **Included in above is receivables from non-exchange transactions (taxes and transfers)** | | |
| Rates | 13,025,985 | 10,138,193 |
| **Net balance** | **42,933,029** | **35,231,444** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**8. Consumer debtors disclosure (continued)**

| | | |
|---|---|---|
| **Rates** | | |
| Current (0 -30 days) | 3,716,020 | 3,408,559 |
| 31 - 60 days | 76,857 | 265,057 |
| 61 - 90 days | 65,794 | 281,740 |
| 91 - 120 days | 200,503 | 300,822 |
| 121 - 365 days | 11,589,268 | 9,637,474 |
| > 365 days | 17,856,524 | 15,520,689 |
| Less: Allowance for impairment | (20,478,981) | (19,276,148) |
| | **13,025,985** | **10,138,193** |

| | | |
|---|---|---|
| **Electricity** | | |
| Current (0 -30 days) | 3,909,001 | 3,167,806 |
| 31 - 60 days | 1,237,996 | 1,028,519 |
| 61 - 90 days | 1,230,901 | 954,166 |
| 91 - 120 days | 998,496 | 966,218 |
| 121 - 365 days | 7,006,337 | 4,403,173 |
| > 365 days | 20,335,136 | 16,871,893 |
| Less: Allowance for impairment | (20,042,493) | (15,577,261) |
| | **14,675,374** | **11,814,514** |

| | | |
|---|---|---|
| **Water** | | |
| Current (0 -30 days) | 1,357,452 | 1,214,487 |
| 31 - 60 days | 881,651 | 833,533 |
| 61 - 90 days | 917,267 | 730,079 |
| 91 - 120 days | 868,023 | 717,777 |
| 121 - 365 days | 5,638,478 | 5,389,238 |
| > 365 days | 29,088,362 | 23,749,939 |
| Less: Allowance for impairment | (31,183,944) | (26,172,689) |
| | **7,567,289** | **6,462,364** |

| | | |
|---|---|---|
| **Waste water** | | |
| Current (0 -30 days) | 681,894 | 690,561 |
| 31 - 60 days | 402,351 | 402,182 |
| 61 - 90 days | 366,116 | 357,347 |
| 91 - 120 days | 352,895 | 330,606 |
| 121 - 365 days | 2,503,732 | 2,350,856 |
| > 365 days | 11,281,674 | 9,245,111 |
| Less: Allowance for impairment | (12,130,849) | (10,143,081) |
| | **3,457,813** | **3,233,582** |

| | | |
|---|---|---|
| **Refuse** | | |
| Current (0 -30 days) | 491,018 | 466,864 |
| 31 - 60 days | 334,064 | 322,626 |
| 61 - 90 days | 304,731 | 293,416 |
| 91 - 120 days | 297,360 | 273,405 |
| 121 - 365 days | 2,224,826 | 1,998,878 |
| > 365 days | 11,218,726 | 9,065,525 |
| Less: Allowance for impairment | (12,228,172) | (10,051,017) |
| | **2,642,553** | **2,369,697** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**8. Consumer debtors disclosure (continued)**

| **Long-term debtor's installments** | | |
|---|---|---|
| Current (0 -30 days) | 238,138 | 196,910 |
| 31 - 60 days | 192,363 | 139,928 |
| 61 - 90 days | 167,293 | 107,988 |
| 91 - 120 days | 180,623 | 66,435 |
| 121 - 365 days | 898,231 | 339,845 |
| > 365 days | 2,883,655 | 2,603,975 |
| Less: Allowance for impairment | (3,591,963) | (2,863,255) |
| | **968,340** | **591,826** |

| **Other** | | |
|---|---|---|
| Current (0 -30 days) | 77,206 | 80,224 |
| 31 - 60 days | 61,073 | 66,899 |
| 61 - 90 days | 58,190 | 64,809 |
| 91 - 120 days | 60,419 | 63,016 |
| 121 - 365 days | 528,762 | 552,477 |
| > 365 days | 9,158,861 | 9,096,870 |
| Less: Allowance for impairment | (9,348,836) | (9,303,027) |
| | **595,675** | **621,268** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**8. Consumer debtors disclosure (continued)**

**Summary of debtors by customer classification**

| | | |
|---|---|---|
| **Consumers** | | |
| Current (0 -30 days) | 7,402,575 | 6,971,326 |
| 31 - 60 days | 2,903,255 | 2,603,534 |
| 61 - 90 days | 2,842,955 | 2,319,055 |
| 91 - 120 days | 2,573,169 | 2,252,574 |
| 121 - 365 days | 23,329,402 | 18,728,069 |
| > 365 days | 89,870,054 | 78,034,207 |
| | 128,921,410 | 110,908,765 |
| Less: Allowance for impairment | (105,255,275) | (90,268,102) |
| | **23,666,135** | **20,640,663** |

| | | |
|---|---|---|
| **Industrial/ commercial** | | |
| Current (0 -30 days) | 1,439,314 | 1,228,040 |
| 31 - 60 days | 81,628 | 225,942 |
| 61 - 90 days | 65,293 | 240,048 |
| 91 - 120 days | 179,083 | 247,100 |
| 121 - 365 days | 3,068,404 | 1,845,886 |
| > 365 days | 4,226,233 | 1,888,103 |
| | 9,059,955 | 5,675,119 |
| Less: Allowance for impairment | (484,749) | (257,983) |
| | **8,575,206** | **5,417,136** |

| | | |
|---|---|---|
| **National and provincial government** | | |
| Current (0 -30 days) | 1,105,802 | 909,082 |
| 31 - 60 days | 191,685 | 202,635 |
| 61 - 90 days | 190,870 | 210,893 |
| 91 - 120 days | 195,368 | 195,200 |
| 121 - 365 days | 2,917,519 | 2,626,705 |
| > 365 days | 6,201,621 | 5,127,673 |
| | 10,802,865 | 9,272,188 |
| Less: Allowance for impairment | (141,995) | (120,565) |
| | **10,660,870** | **9,151,623** |

| | | |
|---|---|---|
| **Other** | | |
| Current (0 -30 days) | 523,037 | 116,961 |
| 31 - 60 days | 9,786 | 26,632 |
| 61 - 90 days | 11,174 | 19,547 |
| 91 - 120 days | 10,699 | 23,406 |
| 121 - 365 days | 1,074,309 | 1,471,280 |
| > 365 days | 1,525,032 | 1,104,018 |
| | 3,154,037 | 2,761,844 |
| Less: Allowance for impairment | (3,123,220) | (2,739,826) |
| | **30,817** | **22,018** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 8. Consumer debtors disclosure (continued)

| **Total** | | |
|---|---|---|
| Current (0 -30 days) | 10,470,728 | 9,225,409 |
| 31 - 60 days | 3,186,354 | 3,058,743 |
| 61 - 90 days | 3,110,292 | 2,789,543 |
| 91 - 120 days | 2,958,319 | 2,718,280 |
| 121 - 365 days | 30,389,634 | 24,671,940 |
| > 365 days | 101,822,940 | 86,154,001 |
| | 151,938,267 | 128,617,916 |
| Less: Allowance for impairment | (109,005,239) | (93,386,476) |
| | **42,933,028** | **35,231,440** |

| **Less: Allowance for impairment** | | |
|---|---|---|
| Current (0 -30 days) | (510,372) | (139,038) |
| 31 - 60 days | (42,100) | (56,810) |
| 61 - 90 days | (80,222) | (78,776) |
| 91 - 120 days | (97,813) | (101,773) |
| 121 - 150 days | (138,584) | (142,299) |
| 151 - 365+ days | (108,136,147) | (92,867,779) |
| | **(109,005,238)** | **(93,386,475)** |

| **Total debtor past due but not impaired** | | |
|---|---|---|
| Current (0 -30 days) | 9,960,356 | 9,086,371 |
| 31 - 60 days | 3,144,254 | 3,001,933 |
| 61 - 90 days | 3,030,070 | 2,710,767 |
| 91 - 120 days | 2,860,506 | 2,616,507 |
| 151 - 365+ days | 23,937,843 | 17,815,863 |
| | **42,933,029** | **35,231,441** |

| **Reconciliation of allowance for impairment** | | |
|---|---|---|
| Balance at beginning of the year | (93,386,475) | (81,067,549) |
| Contributions to allowance | (15,618,763) | (14,780,600) |
| Reversal of allowance | - | 2,461,674 |
| | **(109,005,238)** | **(93,386,475)** |

## 9. VAT receivable

| | | |
|---|---|---|
| South African Revenue Services | - | 2,162,824 |

In determining the recoverability of VAT receivable, the municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from SARS.

VAT is payable/receivable on the cash basis.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 10. Intangible assets

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 205,416 | (110,661) | 94,755 | 163,108 | (87,681) | 75,427 |

**Reconciliation of intangible assets - 2016**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software, other | 75,427 | 42,308 | (22,980) | 94,755 |

**Reconciliation of intangible assets - 2015**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software, other | 98,407 | (22,980) | 75,427 |

## 11. Investment property

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 1,417,000 | - | 1,417,000 | 1,300,000 | - | 1,300,000 |

**Reconciliation of investment property - 2016**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 1,300,000 | 117,000 | 1,417,000 |

**Reconciliation of investment property - 2015**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 1,200,000 | 100,000 | 1,300,000 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**11. Investment property (continued)**

**Details of property**

| | | |
|---|---|---|
| **Erf 1654, Kakamas** | | |
| Title deed number T74252/198 | | |
| - Purchase price: 20 July 1987 | 19,830 | 19,830 |
| - Fair value adjustment | 450,170 | 400,170 |
| | **470,000** | **420,000** |

| | | |
|---|---|---|
| **Erf 666, Keimoes** | | |
| Title deed number G16/1942s | | |
| - Fair value adjustment | 227,000 | 220,000 |

| | | |
|---|---|---|
| **Erf 667, Keimoes** | | |
| Terms and conditions | | |
| - Fair value adjustment | 720,000 | 660,000 |

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.

**Details of valuation**

The effective date of the revaluations was August 2016 as per the valuations reports. The valuation of investment property were done to reflect the fair value of investment properties as at 30 June 2016. Revaluations were performed by an independent valuer, Mr D van Vuuren as a Professional Assosiated Valuer, of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

Investment properties comprise commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

These assumptions are based on current market conditions.

There are no restrictions on the realisibility of investment property or the remittance of revenue and proceeds of disposal.

**Reconciliation of valuation obtained and the valuation included in the financial statements**

Amounts recognised in surplus and deficit for the year.

| | | |
|---|---|---|
| Cumulative change in fair value recognised in surplus or deficit | 117,000 | 100,000 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 12. Property, plant and equipment

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Buildings | 61,539,297 | (12,364,241) | 49,175,056 | 61,557,390 | (10,659,644) | 50,897,746 |
| Community assets | 24,484,339 | (7,274,490) | 17,209,849 | 19,177,862 | (6,447,136) | 12,730,726 |
| Heritage assets | 5 | - | 5 | 5 | - | 5 |
| Infrastructure assets | 714,548,989 | (185,206,940) | 529,342,049 | 708,175,175 | (161,636,473) | 546,538,702 |
| Land | 91,059,600 | - | 91,059,600 | 91,059,600 | - | 91,059,600 |
| Landfill sites | 47,080,228 | (27,661,285) | 19,418,943 | 41,589,919 | (23,519,613) | 18,070,306 |
| Work-in-progress | 20,948,482 | - | 20,948,482 | 26,998,578 | - | 26,998,578 |
| Other property, plant and equipment | 31,524,512 | (18,651,747) | 12,872,765 | 31,425,764 | (15,018,569) | 16,407,195 |
| **Total** | **991,185,452** | **(251,158,703)** | **740,026,749** | **979,984,293** | **(217,281,435)** | **762,702,858** |

# Notes to the Audited Annual Financial Statements

Figures in Rand

## 12. Property, plant and equipment (continued)

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

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Buildings | 50,897,746 | - | (18,093) | - | (1,704,597) | 49,175,056 |
| Community assets | 12,730,726 | 5,652,966 | (346,489) | - | (827,354) | 17,209,849 |
| Heritage assets | 5 | - | - | - | - | 5 |
| Infrastructure assets | 546,538,702 | 7,982,271 | (1,608,458) | - | (23,570,466) | 529,342,049 |
| Land | 91,059,600 | - | - | - | - | 91,059,600 |
| Landfill sites | 18,070,306 | 5,490,309 | - | - | (4,141,672) | 19,418,943 |
| Work-in-progress | 26,998,578 | 19,409,743 | - | (25,459,839) | - | 20,948,482 |
| Other property, plant and equipment | 16,407,195 | 98,747 | - | - | (3,633,177) | 12,872,765 |
| | **762,702,858** | **38,634,036** | **(1,973,040)** | **(25,459,839)** | **(33,877,266)** | **740,026,749** |

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

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Buildings | 52,645,447 | - | (62,998) | (1,684,703) | 50,897,746 |
| Community assets | 14,034,088 | - | (1,303,362) | - | 12,730,726 |
| Heritage assets | 5 | - | - | - | 5 |
| Infrastructure assets | 563,112,372 | 13,204,259 | (2,630,273) | (27,147,656) | 546,538,702 |
| Land | 91,059,600 | - | - | - | 91,059,600 |
| Landfill sites | 21,175,701 | 878,850 | - | (3,984,245) | 18,070,306 |
| Work-in-progress | 18,324,284 | 8,674,294 | - | - | 26,998,578 |
| Other property, plant and equipment | 20,004,049 | - | - | (3,596,854) | 16,407,195 |
| | **780,355,546** | **22,757,403** | **(3,996,633)** | **(36,413,458)** | **762,702,858** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**12. Property, plant and equipment (continued)**

**Depreciation rates**

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | Straight line | Indefinite |
| Buildings | Straight line | 10-50 years |
| Plant and machinery | Straight line | 2-80 years |
| Furniture and fixtures | Straight line | 3-15 years |
| Motor vehicles | Straight line | 3-15 years |
| Office equipment | Straight line | 2-5 years |
| Computer equipment | Straight line | 2-5 years |
| Infrastructure | Straight line | 5-60 years |
| Community | Straight line | 5-60 years |
| Landfill sites | Straight line | 1-12 years |

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.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 13. Financial instruments disclosure

**Categories of financial instruments**

**2016**

**Financial assets**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Cash and cash equivalents | - | 1,204,168 | 1,204,168 |
| Other financial assets | 2,389,846 | - | 2,389,846 |
| | **2,389,846** | **1,204,168** | **3,594,014** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Consumer deposits | 1,666,893 | 1,666,893 |
| Finance lease obligation | 439,051 | 439,051 |
| Other financial liabilities | 9,485,494 | 9,485,494 |
| Trade and other payables from exchange transactions | 161,285,648 | 161,285,648 |
| | **172,877,086** | **172,877,086** |

**2015**

**Financial assets**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Cash and cash equivalents | - | 1,650,678 | 1,650,678 |
| Other financial assets | 2,094,769 | - | 2,094,769 |
| | **2,094,769** | **1,650,678** | **3,745,447** |

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Bank overdraft | 526,905 | 526,905 |
| Consumer deposits | 1,628,822 | 1,628,822 |
| Other financial liabilities | 9,369,263 | 9,369,263 |
| Trade and other payables from exchange transactions | 138,734,445 | 138,734,445 |
| Finance lease obligation | 1,333,178 | 1,333,178 |
| | **151,592,613** | **151,592,613** |

## 14. Consumer deposits

| | | |
|---|---|---|
| Electricity | 1,215,113 | 1,209,582 |
| Water | 451,780 | 419,240 |
| | **1,666,893** | **1,628,822** |

Guarantees held in lieu of electricity and water deposits

No interest is paid on deposits.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 15. Employee benefit obligations

**Defined benefit plan**

The GRAP 25 Statement sets out the measurement recognition and disclosure requirements in accounting for postretirement "defined benefit" plans. It is recommended that the Municipality consult with their auditors in determining the appropriate approach for reflecting the results of this valuation in their Financial Statement

**Post retirement medical aid plan**

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In estimating the liability for post-employment health care benefits a number of assumptions are required. GRAP 25 Statement places the responsibility on management to set these assumptions as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

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

| | | |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation-wholly unfunded | (18,703,014) | (16,860,229) |

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

| | | |
|---|---|---|
| Opening balance | 16,860,229 | 14,152,738 |
| Net expense recognised in the statement of financial performance | 1,842,785 | 2,707,491 |
| | **18,703,014** | **16,860,229** |

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Current service cost: Post employment benefits | 985,475 | 710,109 |
| Contributions (benefits paid) | (790,108) | (484,380) |
| Interest cost: Post employment benefits | 1,474,211 | 1,239,595 |
| Actuarial losses: Post employment benefits | 173,207 | 1,242,167 |
| | **1,842,785** | **2,707,491** |

**Calculation of actuarial losses**

| | | |
|---|---|---|
| Basis changes: increase in net discount rate | (54,407) | 344,102 |
| Subsidy increases higher than assumed | 25,444 | 383,392 |
| Changes to membership profile different from assumed | (40,126) | 845,084 |
| Actual benefits vesting, greater than expected | 242,296 | 215,109 |
| | **173,207** | **1,787,687** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**15. Employee benefit obligations (continued)**

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Discount rates used | 9.04 % | 8.88 % |
| Health care cost inflation rate | 8.16 % | 8.02 % |
| Net effective discount rate | 0.82 % | 0.80 % |

Key demographic assumptions used at the report date:

| | | |
|---|---|---|
| Average retirement age: | 63 years | 63 years |
| Benefit accrual age: | 55 years | 55 years |
| Continuation of membership at retirement: | 90 % | 90 % |
| Proportion assumed married at retirement: | 95 % | 95 % |
| Proportion of eligible current non-member employees joining the scheme by retirement: | | |
| Mortality during employment: | SA 85-90 | SA 85-90 |
| Mortality post-retirement: | PA90-1 ultimate | PA90-1 ultimate |

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

**Discount Rate:**

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.04% per annum has been used. The corresponding index-linked yield at this term is 1.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

The three components are as follows:

**Health Care Cost Inflation Rate:**

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.16% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.66%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from ((1+9.04%)/(1+8.16%))-1.

The expected inflation assumption of 6.66% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.77%) and those of fixed interest bonds (9.04%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.04%-0.50%)/(1+1.77%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 15. Employee benefit obligations (continued)

**Replacement ratio:**

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

## 16. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 450,000 | 972,378 |
| - in second to fifth year inclusive | - | 450,000 |
| | 450,000 | 1,422,378 |
| less: future finance charges | (10,949) | (89,200) |
| **Present value of minimum lease payments** | **439,051** | **1,333,178** |

| | | |
|---|---|---|
| **Present value of minimum lease payments due** | | |
| - within one year | 439,051 | 894,127 |
| - in second to fifth year inclusive | - | 439,051 |
| | **439,051** | **1,333,178** |

| | | |
|---|---|---|
| Non-current liabilities | - | 439,051 |
| Current liabilities | 439,051 | 894,127 |
| | **439,051** | **1,333,178** |

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

The average lease term was 5 years and the average effective borrowing rate was 11% (2015: 11%).

**Market risk**

The carrying amounts of finance lease liabilities are denominated in the following currencies:

| | | |
|---|---|---|
| Rand | 439,051 | 1,333,178 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 17. Other financial liabilities

**At amortised cost**

| | | |
|---|---|---|
| **Development Bank of Southern Africa Ltd** | 1,902,008 | 1,719,286 |

Loan number: 100498/1
Product number: 61000080

The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.

Redemption date: 30/06/2023.

| | | |
|---|---|---|
| **Development Bank of Southern Africa Ltd** | 6,296,059 | 6,028,795 |

Loan number: 103723/2
Product number: 61001016

The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.

Redemption date: 28/02/2019.

| | | |
|---|---|---|
| **Development Bank of Southern Africa Ltd** | 546,577 | 562,896 |

Loan Number: 103723/3
Product number: 61001017

The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.

Redemption date: 31/08/2015

| | | |
|---|---|---|
| **Development Bank of Southern Africa Ltd** | - | 378,642 |

Loan number: 13315/202
Product number: 61003127

The loan is secured and is being repaid over a period of 20 years in equal installments of R48,427.69 every 6 months with a fixed interest rate of 16.500% per annum.

Redemption date: 31/03/2019.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**17. Other financial liabilities (continued)**

| | | |
|---|---|---|
| | 740,850 | 679,644 |

**Development Bank of Southern Africa Ltd**

Loan number: 13702/101
Product number: 61003256

The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of9.800% per annum.

Redemption date: 30/06/2021.

| | | |
|---|---|---|
| **Total other financial liabilities** | **9,485,494** | **9,369,263** |
| **Non-current liabilities** | | |
| At amortised cost | 3,118,642 | 4,783,445 |
| **Current liabilities** | | |
| At amortised cost | 6,366,852 | 4,585,818 |

**18. Payables from exchange transactions**

| | | |
|---|---|---|
| Accrual for employee bonusses | 2,628,245 | 2,538,563 |
| Accrual for employee leave pay | 5,471,179 | 4,909,283 |
| Capital projects retention fees | 97,536 | 413,623 |
| Cash suspense accounts | (1,534,316) | (1,433,479) |
| Consumer debtors with credit balances | 11,633,710 | 9,117,991 |
| Department of Transport, Safety and Liaison | 25,354,879 | 15,957,458 |
| Deposits received | 229,518 | 194,629 |
| Payroll creditors | 13,939,337 | 9,367,463 |
| Trade payables | 100,091,424 | 58,500,797 |
| Unallocated deposits and receipts | 3,371,577 | 39,158,570 |
| Other payables | 2,559 | 9,547 |
| | **161,285,648** | **138,734,445** |

The carrying amount of loans to and from shareholders are denominated in the following currencies:

| | | |
|---|---|---|
| Rand | 161,285,648 | 138,734,445 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 19. Provisions

**Reconciliation of provisions - 2016**

| | Opening Balance | Additions | Utilised during the year | Change in discount factor | Total |
|---|---|---|---|---|---|
| Landfill sites rehabilitation | 43,644,891 | 5,490,309 | - | 2,358,254 | 51,493,454 |
| Long service awards | 1,438,915 | 303,460 | - | - | 1,742,375 |
| Performance bonuses | 122,850 | 171,629 | (122,850) | - | 171,629 |
| | **45,206,656** | **5,965,398** | **(122,850)** | **2,358,254** | **53,407,458** |

**Reconciliation of provisions - 2015**

| | Opening Balance | Additions | Total |
|---|---|---|---|
| Landfill sites rehabilitation | 41,917,741 | 1,727,150 | 43,644,891 |
| Long service awards | 1,093,041 | 345,874 | 1,438,915 |
| Performance bonuses | - | 122,850 | 122,850 |
| | **43,010,782** | **2,195,874** | **45,206,656** |

| | | |
|---|---|---|
| Non-current liabilities | 48,215,083 | 42,641,059 |
| Current liabilities | 5,192,375 | 2,565,597 |
| | **53,407,458** | **45,206,656** |

**Landfill sites rehabilitation provision**

**ESS General landfill closure costing model:**

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:
- Pre-closure planning and approvals
- Final rehabilitation and closure
- 30 years post-closure monitoring

**Adjustment of unit costs:**

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately in each report of the different landfill sites.

**CPI:**

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 6.2064%.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**19. Provisions (continued)**

**Discount rate:**

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

**Long Service Award Provision**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

**20. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

| **Unspent conditional grants and receipts** | | |
|---|---|---|
| Municipal Infrastructure Grant (MIG) | 852 | 5,759,430 |
| Keimoes Camping and Caravan Park | 162,692 | 409,516 |
| | **163,544** | **6,168,946** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 6,168,946 | 4,829,684 |
| Additions during the year | 13,789,000 | 21,678,000 |
| Income recognition during the year | (19,794,402) | (20,338,738) |
| | **163,544** | **6,168,946** |

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 21. VAT payable

| | | |
|---|---|---|
| South African Revenue Service | 5,608,252 | - |

In determining the recoverability of VAT receivable, the municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from SARS.

VAT is payable/receivable on the cash basis.

## 22. Revenue

| | | |
|---|---|---|
| Agency services | 1,107,658 | 957,431 |
| Interest received - investment | 11,264,426 | 9,574,817 |
| Rental of facilities and equipment | 214,426 | 204,078 |
| Service charges | 96,991,664 | 81,130,237 |
| Other income | 972,349 | 1,365,947 |
| Property rates | 15,556,330 | 13,588,100 |
| Property rates - penalties imposed | 1,185 | 141,861 |
| Fines | 117,424 | 302,527 |
| Government grants & subsidies | 74,290,492 | 80,428,411 |
| | **200,515,954** | **187,693,409** |

| | | |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Agency services | 1,107,658 | 957,431 |
| Interest received | 11,264,426 | 9,574,817 |
| Rental of facilities and equipment | 214,426 | 204,078 |
| Service charges | 96,991,664 | 81,130,237 |
| Other income | 972,349 | 1,365,947 |
| | **110,550,523** | **93,232,510** |

| | | |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 15,556,330 | 13,588,100 |
| Property rates - penalties imposed | 1,185 | 141,861 |
| **Transfer revenue** | | |
| Fines | 117,424 | 302,527 |
| Government grants & subsidies | 74,290,492 | 80,428,411 |
| | **89,965,431** | **94,460,899** |

## 23. Agency services

| | | |
|---|---|---|
| Motor vehicle licence renewals | 1,107,658 | 957,431 |

## 24. Interest received

| | | |
|---|---|---|
| **Interest revenue** | | |
| Other financial assets | 200,756 | 130,290 |
| Interest charged on trade and other receivables | 11,063,670 | 9,444,527 |
| | **11,264,426** | **9,574,817** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 25. Rental of facilities and equipment

| | | |
|---|---|---|
| **Facilities owned by the Municipality** | | |
| Premises | 214,426 | 204,078 |

## 26. Service charges

| | | |
|---|---|---|
| Sale of electricity | 69,423,986 | 55,750,395 |
| Sale of water | 14,016,879 | 12,606,696 |
| Sewerage and sanitation charges | 7,993,740 | 7,543,581 |
| Refuse removal | 5,557,059 | 5,229,565 |
| | **96,991,664** | **81,130,237** |

## 27. Other income

| | | |
|---|---|---|
| Administration income | 38,811 | 109,368 |
| Buildingplan fees | 44,687 | 31,594 |
| Cemetery fees | 21,214 | 24,404 |
| Clearance certificates | 63,432 | 35,020 |
| Commission: Policies and other | 132,133 | 97,670 |
| Connection fees | 227,264 | 240,517 |
| Driver and vehicle permits | 34,116 | 46,134 |
| Driver licences | 120,547 | 270,616 |
| Learner licences | 45,747 | 92,280 |
| Number plate applications | 4,923 | 10,357 |
| Photocopies | 5,870 | 3,920 |
| Posters and banners | - | 15,048 |
| Property border exceeding's | 42,388 | 18,267 |
| Re-connection fees | 34,097 | 35,310 |
| Rezoning applications | 17,054 | 11,301 |
| Telephone fees reclaimed | - | 9,228 |
| Tender fees | 2,237 | 9,123 |
| Testing of installations - Meters | 4,557 | 5,248 |
| Traffic documents | 33,613 | 40,470 |
| Traffic escorts | 2,060 | 2,379 |
| Valuation certificates | 5,397 | 6,174 |
| Vehicle registrations | 76,883 | 92,323 |
| Other income | 15,319 | 159,196 |
| | **972,349** | **1,365,947** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 28. Property rates

**Rates received**

| | | |
|---|---|---|
| Residential | 19,960,160 | 41,320,210 |
| Small holdings and farms | (907) | - |
| Less: Rebates | (4,402,923) | (27,732,110) |
| | 15,556,330 | 13,588,100 |
| Property rates - penalties imposed | 1,185 | 141,861 |
| | **15,557,515** | **13,729,961** |

**Valuations**

| | | |
|---|---|---|
| Residential | 1,110,268,200 | 644,591,308 |
| Commercial | 70,944,000 | - |
| State | 166,008,000 | 100,796,069 |
| Municipal | 10,734,000 | 34,879,425 |
| Small holdings and farms | 5,207,582,655 | 3,347,506,857 |
| Exempted valuations | 185,886,000 | 34,905,637 |
| | **6,751,422,855** | **4,162,679,296** |

## 29. Fines

| | | |
|---|---|---|
| Traffic fines | 56,650 | 220,750 |
| General | 58,733 | 77,017 |
| Library | 2,041 | 4,760 |
| | **117,424** | **302,527** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 30. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 47,648,090 | 50,293,087 |
| Local Government Finance Management Grant (FMG) | 1,875,000 | 1,800,000 |
| Municipal Systems Improvement Grant (MSIG) | 930,000 | 934,000 |
| Department of Sports, Arts and Culture - Library | 1,354,000 | 882,000 |
| Subsidy - Training Costs | - | 68,028 |
| Expanded Public Works Programme (EPWP) | 1,189,000 | 1,374,000 |
| | **52,996,090** | **55,351,115** |
| **Capital grants** | | |
| Municipal Infrastructure Grant (MIG) | 19,547,578 | 20,248,253 |
| Cooperate Governance & Traditional Affairs - Housing | - | 1,546,418 |
| Integrated National Electrification Programme (INEP) | 1,500,000 | 1,000,000 |
| Keimoes Camping and Caravan Park | 246,824 | 90,484 |
| Department of Sport and Recreation - Sport for Change | - | 1,420,572 |
| Regional Bulk Infrastructure Grant (RBIG) | - | 771,569 |
| | **21,294,402** | **25,077,296** |
| | **74,290,492** | **80,428,411** |

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 26,395,578 | 30,135,324 |
| Unconditional grants received | 47,648,090 | 50,293,087 |
| | **74,043,668** | **80,428,411** |

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Municipal Infrastructure Grant (MIG)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 5,759,430 | 4,829,684 |
| Current-year receipts | 13,789,000 | 21,178,000 |
| Conditions met - transferred to revenue | (14,857,578) | (20,248,254) |
| Unspent 2012 - 2014 withheld from equitable share. | (4,690,000) | - |
| | **852** | **5,759,430** |

MIG used to construct roads and other infrastructure projects.

**Municipal Systems Improvement Grant (MSIG)**

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

Conditions still to be met - remain liabilities (see note 20).

MSIG has been used to assist municipalities to perform their functions and stabilise institutional and governance systems as required by the regulatory requirements.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

**30. Government grants and subsidies (continued)**

**Local Government Finance Management Grant (FMG)**

| | | |
|---|---|---|
| Current-year receipts | 1,875,000 | 1,800,000 |
| Conditions met - transferred to revenue | (1,875,000) | (1,800,000) |
| | - | - |

This grant was used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementing of the Municipal Finance Management Act.

**Expanded Public Works Programme (EPWP)**

| | | |
|---|---|---|
| Current-year receipts | 1,189,000 | 1,374,000 |
| Conditions met - transferred to revenue | (1,189,000) | (1,374,000) |
| | - | - |

The EPWP grant is mainly used for cleaning of the municipal streets and to provide minor form of job creation in the community.

**Cooperative Governance and Traditional Affairs**

| | | |
|---|---|---|
| Current-year receipts | - | 1,546,418 |
| Conditions met - transferred to revenue | - | (1,546,418) |
| | - | - |

The housing grant was used for the project in Lennertsville.

**Department of Sports - Library**

| | | |
|---|---|---|
| Current-year receipts | 1,354,000 | 882,000 |
| Conditions met - transferred to revenue | (1,354,000) | (882,000) |
| | - | - |

The library grant is used for library activities.

**Department of Sport & Recreation - Sport for Change**

| | | |
|---|---|---|
| Current-year receipts | - | 1,420,572 |
| Conditions met - transferred to revenue | - | (1,420,572) |
| | - | - |

This grant is used to build and improve the communities sport facilities.

**Keimoes Camping & Caravan Park**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 409,516 | - |
| Current-year receipts | - | 500,000 |
| Conditions met - transferred to revenue | (246,824) | (90,484) |
| | **162,692** | **409,516** |

Conditions still to be met - remain liabilities (see note 20).

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 31. Bulk purchases

| | | |
|---|---|---|
| Electricity | 49,467,050 | 42,816,689 |
| Water | 1,402,420 | 2,201,768 |
| | **50,869,470** | **45,018,457** |

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers.

The municipality purchases electricity in bulk from Eskom and water from Kakamas Waterverbruikers Vereniging and then redistributes it to consumers.

## 32. Contracted services

| | | |
|---|---|---|
| Information Technology Services | 3,414,420 | 3,222,003 |
| Fleet Services | 1,052,321 | 1,027,733 |
| Insurance | 916,948 | 561,569 |
| Specialist Services | 197,140 | 153,840 |
| Other Contractors | 8,984,418 | 5,611,232 |
| | **14,565,247** | **10,576,377** |

## 33. Debt impairment

| | | |
|---|---|---|
| Consumer debtors | 14,556,570 | 12,156,482 |
| Long-term debtors | 1,025,086 | 1,350,610 |
| Traffic fines | 30,361 | 130,822 |
| | **15,612,017** | **13,637,914** |

IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

## 34. Depreciation and amortisation

| | | |
|---|---|---|
| Intangible assets | 22,980 | 24,690 |
| Property, plant and equipment | 21,275,209 | 30,133,875 |
| | **21,298,189** | **30,158,565** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 35. Employee related costs

| | | |
|---|---|---|
| Acting allowances | 898,349 | 652,905 |
| Basic salaries and wages | 59,279,758 | 54,756,475 |
| Bonuses | 4,743,398 | 3,518,146 |
| Pension fund contributions | 8,992,794 | 8,171,719 |
| Leave pay provision charge | 948,457 | 1,622,976 |
| Long-service awards | 436,283 | 345,873 |
| Medical aid contributions | 1,122,781 | 1,126,482 |
| Nightshift allowances | 303,849 | 291,376 |
| Standby allowances | 1,891,123 | 1,544,977 |
| Cellphone allowances | 143,640 | 148,721 |
| Uniform allowances | 297,670 | 137,382 |
| Industrial council contributions | 34,039 | 27,191 |
| Overtime payments | 5,397,740 | 6,260,682 |
| Skills development levy (SDL) | 796,972 | 724,130 |
| Post employment medical aid actuarial losses | 173,207 | 1,242,167 |
| Post employment medical aid interest | 1,474,211 | 1,239,595 |
| Termination benefits | 985,475 | 710,109 |
| Travel allowances | 2,624,216 | 2,398,317 |
| Unemployment insurance fund contributions (UIF) | 623,615 | 558,221 |
| Workmen compensation administration contributions (WCA) | 13,325 | 12,133 |
| Performance bonuses | 48,780 | 122,850 |
| Shift allowances | 223,645 | 172,999 |
| Ward committee members allowances | 374,500 | 448,500 |
| Other payroll levies | 32,678 | 32,208 |
| | **91,860,505** | **86,266,134** |

**Remuneration of municipal manager**

| | | |
|---|---|---|
| Annual Remuneration | 924,000 | 840,000 |
| Car Allowance | 360,000 | 360,000 |
| Contributions to UIF, Medical and Pension Funds | (1,785) | (1,785) |
| | **1,282,215** | **1,198,215** |

Mr. J.G. Lategan was appointed as the acting municipal manager on 1 April 2014.

**Remuneration of chief finance officer**

| | | |
|---|---|---|
| Annual Remuneration | 621,276 | 652,968 |
| Travel Allowance | 270,000 | 180,000 |
| Performance Bonuses | 54,600 | 40,950 |
| Telephone allowance | 12,000 | 18,000 |
| Contributions to UIF, Medical and Pension Funds | (1,785) | (1,785) |
| | **956,091** | **890,133** |

Mr. J. Krapohl was permanently appointed as the Chief Financial Officer on 1 December 2013.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 35. Employee related costs (continued)

**Remuneration of director: Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 891,276 | 832,968 |
| Performance Bonuses | 54,600 | 40,950 |
| Telephone allowance | 12,000 | 18,000 |
| Contributions to UIF, Medical and Pension Funds | (1,784) | (10,097) |
| | **956,092** | **881,821** |

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

**Remuneration of director: Development and Planning**

| | | |
|---|---|---|
| Annual Remuneration | 891,276 | 832,968 |
| Performance Bonuses | 54,600 | 40,950 |
| Telephone allowance | 12,000 | 18,000 |
| Contributions to UIF, Medical and Pension Funds | (1,785) | (1,785) |
| | **956,091** | **890,133** |

Mr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

## 36. Finance costs

| | | |
|---|---|---|
| Bank | 37,571 | 1,107 |
| Environmental rehabilitation | 2,358,254 | 848,300 |
| Finance leases | 78,251 | 171,105 |
| Non-current borrowings | 833,970 | 761,424 |
| Trade and other payables | 8,626,093 | 911,765 |
| | **11,934,139** | **2,693,701** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 37. General expenses

| | | |
|---|---|---|
| Advertising | 88,494 | 120,134 |
| Auditors remuneration | 682,192 | 1,965,142 |
| Bank charges | 640,333 | 515,162 |
| Cleaning materials | 45,420 | 69,071 |
| Community development and training | 123,745 | 47,693 |
| Computer expenses | 99,589 | 27,808 |
| Consulting and professional fees | 4,213,985 | 2,938,976 |
| Consumables | 315,049 | 654,258 |
| Departmental charges | 2,194,753 | 2,563,373 |
| Donations | 67,891 | 46,570 |
| Entertainment | 58,188 | 248,919 |
| Land surveyor costs | 85,195 | 286,598 |
| Lease rentals on operating leases | 195,696 | 266,753 |
| Licence fees | 169,714 | 6,016 |
| Motor vehicle expenses | 5,020,963 | 5,796,829 |
| Postage and courier | 35,319 | 82,598 |
| Printing and stationery | 177,755 | 293,948 |
| Protective clothing | 82,394 | - |
| Refuse removal | 90,962 | 159,485 |
| Small tools and equipment | - | 9,848 |
| Subscriptions and membership fees | 24,259 | 491,159 |
| Telephone and fax | 330,386 | - |
| Tourism development | - | 450 |
| Training fees | 166,567 | 343,438 |
| Travel and subsistence | 4,619,611 | 2,894,704 |
| Valuation roll expenses | 320,040 | 1,263,096 |
| Water purification chemicals | 1,518,982 | 762,251 |
| | **21,367,482** | **21,854,279** |

## 38. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 801,702 | 708,863 |
| Speaker | 624,117 | 571,264 |
| Mayoral Committee Members | 344,166 | 360,721 |
| Councillors | 3,880,977 | 3,319,653 |
| | **5,650,962** | **4,960,501** |

**In-kind benefits**

The Mayor and Speaker of the municipality serve in a fulltime capacity. Each is provided with an office at the municipal buildings.

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

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

The Mayor and the Speaker has use of Council owned laptops.

Councillor remuneration is in line with the upper limits as per the Government Gazette.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 39. Repairs and maintenance

| | | |
|---|---|---|
| Buildings | 442,482 | 510,712 |
| Electrical components | 630,874 | 1,390,421 |
| Sewerage | 24,094 | 16,435 |
| Street and storm water drainage | 168,780 | 117,757 |
| Tools and equipment | 898 | 21,655 |
| Water distribution | 292,324 | 731,159 |
| | **1,559,452** | **2,788,139** |

## 40. Grants and subsidies paid

| | | |
|---|---|---|
| **Other subsidies** | | |
| Special Projects | 1,276,386 | 1,186,690 |
| Other | 69,616 | 117,871 |
| Indigent Support | 9,224,702 | 8,025,779 |
| Group co ID 8 | 103,443 | - |
| Subsidy - Housing | 975,095 | 156,073 |
| Keimoes Camping & Caravan Park | - | 90,484 |
| CoGSTHA RDP Houses | 608,635 | 3,754,901 |
| | **12,257,877** | **13,331,798** |

## 41. Fair value adjustments

| | | |
|---|---|---|
| Investment property (Fair value model) | 117,000 | 100,000 |

## 42. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 682,192 | 1,965,142 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 43. Operating deficit

Operating deficit for the year is stated after accounting for the following:

| | | |
|---|---|---|
| Amortisation on intangible assets | 22,980 | 24,690 |
| Depreciation on property, plant and equipment | 21,275,209 | 30,133,875 |
| Employee costs | 97,511,467 | 91,226,635 |

## 44. Cash generated from operations

| | | |
|---|---|---|
| Deficit | (45,942,386) | (43,492,456) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 21,298,189 | 30,158,565 |
| Loss on sale of assets and liabilities | (400,000) | - |
| Fair value adjustments | (117,000) | (100,000) |
| Finance costs - Finance leases | 78,251 | 171,105 |
| Debt impairment | 15,612,017 | 13,637,914 |
| Movements in retirement benefit assets and liabilities | 1,842,785 | 2,707,491 |
| Movements in provisions | 8,200,802 | 2,195,874 |
| **Changes in working capital:** | | |
| Inventories | (2,036,244) | 96,189 |
| Receivables from exchange transactions | (4,813,793) | (1,510,042) |
| Consumer debtors | (2,887,792) | (13,637,914) |
| Other receivables from non-exchange transactions | (17,305) | (3,790,621) |
| Payables from exchange transactions | 22,551,208 | 62,977,943 |
| VAT | 7,771,076 | 3,516,109 |
| Unspent conditional grants and receipts | (6,005,402) | 1,339,262 |
| Consumer deposits | 38,071 | 36,674 |
| | **15,172,477** | **54,306,093** |

## 45. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 12,535,963 | 9,269,176 |
| **Not yet contracted for and authorised by accounting officer** | | |
| • Property, plant and equipment | 6,719,876 | 13,503,904 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 12,535,963 | 9,269,176 |
| Not yet contracted for and authorised by accounting officer | 6,719,876 | 13,503,904 |
| | **19,255,839** | **22,773,080** |

**Total commitments**

| | | |
|---|---|---|
| Authorised capital expenditure | 19,255,839 | 22,773,080 |

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|---|---|---|

## 46. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R 966,869. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

**Party and particulars**

| | | |
|---|---|---|
| HC Turner, CJG Turner & DJ Turner: Flood damage | 664,100 | 664,100 |
| JG van Niekerk & N Van Niekerk: Flood damage | 250,041 | 250,041 |
| Me. E Basson | 52,728 | 52,728 |
| Price Waterhouse Coopers: Services Rendered | - | 517,058 |
| | **966,869** | **1,483,927** |

## 47. Related parties

**Relationships**

| | |
|---|---|
| Accounting Officer | No related parties transactions noted except for remuneration as disclosed in note |
| Joint venture of key management | No related parties transactions noted. |
| Associate of close family member of key management | No related parties transactions noted. |
| Post employment benefit plan for employees of a related party of a close family member of key management | No related parties transactions noted. |
| Members of key management | Mr. J.G. Lategan<br>Mr. J. Krapohl<br>Adv. R. Neethling<br>Mr. J. MacKay |

## 48. Accounting Officer's emoluments

**Executive**

**2016**

| | Emoluments | Other benefits* | Total |
|---|---|---|---|
| Mr. J.G. Lategan (Acting) | 924,000 | 360,000 | 1,284,000 |

**2015**

| | Emoluments | Other benefits* | Total |
|---|---|---|---|
| Mr. J.G. Lategan (Acting) | 852,969 | 360,000 | 1,212,969 |

**49. Prior period errors**

1. Inventories: Duplication of inventory items on the count sheets removed and reconciled.

2.Other finacial assets: Recalculation of Impairment was done on Long-term debtors and Indigent accounts was accounted for.

3. VAT on various invoices corrected and claimed

4. Property, Plant and equipment prior period errors was corrected and reconciled to the asset register, and the annual financial statements was adjusted accordingly

5. Other financial liabilities: Long-term loans was reconciled to the audit certificated received from DBSA and the annual financial statements was adjusted accordingly

6. Accumulated surplus: The difference in Accumulated suplus relates to the adjustments mentioned above.

7. Agency services was reconciled and adjusted according to the statement received from the Dept. Transport, Safety and Liason

8. Other income: Payments received was identified as Other income

9. Fines: the municipality accounted for traffic fines issued

10. Bulk purchases: Eskom was reconciled and the creditors was adjusted accordingly

11. Contracted services: Payments was correcly allocated with regard to payments made for contracted services

12. Debt impairment calculations was reviewed and the annual financial statements was adjusted accordingly.

13. Depreciation: prior period errors was corrected and the asset register was reconciled with the annual finacial statements

14. Additional finance charges was identified on the DBSA loans and the annual financial statements was adjusted accordingly

15. Transfers and subsidies: Grant expenditure on the Flood houses was rectified.

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

| | | |
|---|---|---|
| **Statement of financial position** | | |
| Inventories | - | (1,463) |
| Other finacial assets | - | (2,212,099) |
| VAT Receivable | - | 134,071 |
| Property, plant and equipment | - | 86,324,733 |
| Other financial liabilities | - | 224,039 |
| Opening Accumulated Surplus or Deficit | - | 31,059,146 |
| | | |
| **Statement of Financial Performance** | | |
| Agency services | - | (4,582) |
| Other income | - | (561,379) |
| Fines | - | (174,429) |
| Bulk purchases | - | 4,406,688 |
| Contracted services | - | (5,358) |
| Debt impairment | - | (2,081,276) |
| Depreciation and amortisation | - | (10,380,624) |
| Finance costs | - | (219,712) |
| Transfers and subsidies | - | (3,754,900) |

## 50. Risk management

### Financial risk management

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

Risk management plans are developed and monitored to ensure councils the policies and systems are reviewed regulary to reflect changes in the municipalities operations.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk

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

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents, trade receivables and other financial assets.

### Market risk

### Interest rate risk

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

## 51. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts are also a priority for the municipality for the financial year.

## 52. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure.

## 53. Unauthorised expenditure

| | | |
|---|---|---|
| Opening balance | 221,031,110 | 157,797,581 |
| Add: Unauthorised expenditure - current year | 62,733,701 | 63,233,529 |
| | **283,764,811** | **221,031,110** |

# Notes to the Audited Annual Financial Statements

Figures in Rand

## 54. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance | 2,081,672 | 805,074 |
| Add: Fruitless and wasteful expenditure - current year | 9,596,321 | 1,276,598 |
| | **11,677,993** | **2,081,672** |

## 55. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 32,987,430 | 27,865,603 |
| Add: Irregular Expenditure - current year | 11,683,173 | 5,121,827 |
| | **44,670,603** | **32,987,430** |

## 56. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government (SALGA)**

| | | |
|---|---|---|
| Current year subscription / fee | 773,870 | 535,720 |
| Amount paid - current year | - | (535,720) |
| | **773,870** | **-** |

**Material losses through criminal conduct**

| | | |
|---|---|---|
| Distribution losses - Water | 840,199 | 728,260 |
| Distribution losses - Electricity | 6,373,852 | 2,622,191 |
| | **7,214,051** | **3,350,451** |

Electricity losses for the current year amounted to 17% of total electricity purchased. These losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network, account for 10%. Non-technical losses, being theft, faults, billing errors account for 7%. The Municipality will work towards improving control over non-technical losses. A register of distribution losses is available at the municipal offices.

**Audit fees**

| | | |
|---|---|---|
| Opening balance | 1,480,901 | - |
| Current year subscription / fee | - | 1,480,901 |
| | **1,480,901** | **1,480,901** |

**PAYE and UIF**

| | | |
|---|---|---|
| Opening balance | 9,529,137 | - |
| Current year subscription / fee | - | 9,529,137 |
| | **9,529,137** | **9,529,137** |

**Pension and Medical Aid Deductions**

| | | |
|---|---|---|
| Current year subscription / fee | 3,951,281 | - |

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

**VAT**

| | | |
|---|---|---|
| VAT receivable | - | 2,162,824 |
| VAT payable | 5,608,252 | - |
| | **5,608,252** | **2,162,824** |

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

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

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

| **30 June 2015** | **Outstanding less than 90 days R** | **Outstanding more than 90 days R** | **Total R** |
|---|---|---|---|
| Cllr. J.J.J. Olyn | 695 | - | 695 |
| Cllr. D.W. Fienies | 377 | 1,831 | 2,208 |
| Cllr. E. Mompe | 811 | 5,735 | 6,546 |
| Cllr. W.N. Afrikaner | - | 6,976 | 6,976 |
| | **1,883** | **14,542** | **16,425** |

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

| **30 June 2015** | **Highest outstanding amount** | **Aging (in days)** |
|---|---|---|
| Cllr. D.W. Fienies | 1,587 | 120 |
| Cllr. E. Mompe | 5,337 | 120 |
| Cllr. W.N. Afrikaner | 6,976 | 120 |
| | **13,900** | **360** |

**57. Actual operating expenditure versus budgeted operating expenditure**

Refer to Appendix G1, G2 and G3 for the comparison of actual operating expenditure versus budgeted expenditure.

**58. Actual capital expenditure versus budgeted capital expenditure**

Refer to Appendix G4 for the comparison of actual capital expenditure versus budgeted expenditure.

**59. Deviation from supply chain management regulations**

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

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

**Deviations made for the year are as follows:**

| Number | Date | Vendor | Amount | Reasons for the Deviation from the Supply Chain Management Regulations |
|---|---|---|---|---|
| 2016/01 | 15/07/2015 | Afrihost | 4,788 | Licence update of the mail service.Only one quote was sourced. |
| 2016/02 | 20/07/2015 | Clarotech Consulting | 79,424 | This is currently the only authorised distributer in South Africa and they have installed the telefone system and therefor only this supplier can supply the codes for the telefone.Only one quote was sourced |
| 2016/03 | 16/09/2015 | Integra Serve | 198,000 | The bid for water chemicals is still in prosses for the new financial year.Our current suppliers credit limit are limited for just a small amount can be purchased.Only one quote was sourced. |
| 2016/04 | 27/07/2015 | Pathcare | 28,790 | Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced. |
| 2016/05 | 28/07/2015 | Pathcare | 30,542 | Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced. |
| 2016/06 | 30/07/2015 | Aas Operations | 88,150 | A tender prosses still needs to be followed before a service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals.Only one quote was sourced.. |
| 2016/07 | 31/07/2015 | CQS Technology Holdings | 89,050 | Licence renewal. |
| 2016/08 | 11/08/2015 | Improchem | 120,259 | Only supplier of the required chemicals.Test still needs to be done for a tender to be advertised and a service provider to be appointed.Only one quote was sourced. |
| 2016/09 | 24/08/2015 | Agrico | 18,550 | The pumps don’t work completely and needs to be fixed in order to prevent a water shortage.Agrico is the only locsl supplier that supplies impellers.Only one quote was sourced. |
| 2016/10 | 28/08/2015 | Pathcare | 27,348 | Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced. |
| 2016/11 | 09/10/2015 | Agrico | 6,156 | Only two quotations were obtained due to emergency |

## Notes to the Audited Annual Financial Statements

Figures in Rand

**59. Deviation from supply chain management regulations (continued)**

| | | | | |
|---|---|---|---|---|
| 2016/12 | 14/09/2015 | Nest Birds Trading and Projects | 43,541 | Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation |
| 2016/13 | 01/10/2015 | Nu-Balance Live Band | 6,000 | Live Entertainment. Only one quote could be source.Premission given by the Municipal Manager |
| 2016/14 | 08/10/2015 | Gordonia Verkoelings Dienste | 26,553 | Emergency: Aircon replace in IT Server room. |
| 2016/15 | 11/02/2015 | Lutz & Van Zyl Land Surveyors | 11,400 | Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation |
| 2016/16 | 11/02/2015 | Pathcare | 20,274 | Only supplier in our area that does water testing. To avoid unnecassry cost it is more cost effective to make use of Pathcare.Only one quote was sourced. |
| 2016/17 | 11/03/2015 | Tyger Wheels&Tyers | 22,500 | Only one quotation could be source due to a lack of suppliers register on the Municipal database with the necessary documentation.The system needs to be implemented ASAP on officials. |
| 2016/18 | 11/06/2015 | Poort Beton | 5,814 | Hire of forklift(Special one) to move pre-Cast toilets from Gamaker settlement. This is the only supplier that have this kind of forklift. |
| 2016/19 | 12/03/2015 | Agrico | 32,683 | These valves are needed to avoide a water crisus in the KEIMOES area.Only one quote was sourced due to a lack of local suppliers that have these items. |
| 2016/20 | 12/03/2015 | Afrimat | 45,449 | A RFQ was advertised for the material to build the testing station but only supplier responded for some of the material required.Therefor only one quote was sourced for the other material needed for the station. |
| 2016/21 | 12/03/2015 | Poort Beton | 202,931 | A RFQ was advertised for the material to build the testing station but only supplier responded for some of the material required.Therefor only one quote was sourced for the other material needed for the station. |
| 2016/22 | 12/07/2015 | Kalahari Stretch Tents | 43,650 | This is the only local supplier that have the size of tents and amount of chairs needed for such an big event only one quote was sourced. |
| 2016/23 | 12/07/2015 | DJ Scott | 85,500 | This is the only artist available on such short notice to perform at the event.Only one quote was sourced. |
| 2016/24 | 12/07/2015 | Tiger Wheel & Tyre | 22,500 | This is the only supplier that have GPS Logbooks available and in stock.Due to lack of time only one quote was sourced. |
| 2016/25 | 12/07/2015 | Maestro Music & Sound | 95,000 | This is the only supplier that can assist on all items and services needed for the sound of the event.All local suppliers are already booked.Only one quote was sourced. |

# Notes to the Audited Annual Financial Statements

Figures in Rand

**59. Deviation from supply chain management regulations (continued)**

| | | | | |
|---|---|---|---|---|
| 2016/26 | 12/07/2015 | NB Mechenical Sales | 293,241 | This material was needed for the electrification of houses in the kaigarib area which already payed for the wiring of the houses and funds were not available for the completion of the jobs.So a purchase of a big amount was made to complete these houses before the festive season.There was no time for a tender proses. |
| 2016/27 | 01/06/2016 | Trans Oranje Drukkers | 7,377 | This is a spesific tipe of file needed for the filling of the archives documents therefor only one quote was sourced. |
| 2016/28 | 02/08/2016 | AAS Operations | 57,492 | A tender prosses still needs to be followed before a service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals.Only one quote was sourced. |
| 2016/29 | 02/08/2016 | Gariep Besproeiing | 7,898 | Material was needed urgently for an emergency matter and due to time no other quotes could have been sourced. |
| 2016/30 | 02/09/2016 | Improchem | 6,601 | Sudklor is the only chemical that works at the Cillie plant and only Improchem supplies sudklor.Only 1 quote was sourced |
| 2016/31 | 25/02/2016 | Agrico | 8,745 | Emergency: a Pump burned at the station and needed to be replaced as soon as possible to avoide a water crisus in this area. |
| 2016/32 | 25/02/2016 | Agrico | 3,769 | Emergency: a Pump burned at the station and a other allternative needed to be followed for water until the pump was replaced. |
| 2016/33 | 30/03/2016 | AAS Operations | 40,350 | A tender prosses still needs to be followed before a new service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals for this chemicals work at the plant.Only one quote was sourced. |
| 2016/34 | 05/06/2016 | Poort Beton | 10,511 | This kerbs fig 3 300mm was used from the start of the project and the project must be completed with these kerbs.Poort Beton is the only supplier that sells this kerbs therefor only 1 quote was sourced. |
| 2016/35 | 05/06/2016 | Materbricks | 186,778 | A RFQ was advertised for the material needed to complete the project.After the purchase the project was incomplete and more interlocking paving was needed for completion of the project.The project is already over time and therefor there is no time to advertise another RFQ.Only 2 quotes was sourced for local suppliers. |
| 2016/36 | 06/06/2016 | AAS Operations | 62,032 | A tender prosses still needs to be followed before a new service provider can be appointed.For the time being AAS Operations will continue too supply the chemicals for this chemicals work at the plant.Only one quote was sourced. |

# Notes to the Audited Annual Financial Statements

Figures in Rand

**59. Deviation from supply chain management regulations (continued)**

| | | | | |
|---|---|---|---|---|
| 2016/37 | 30/06/2016 | NB Mechenical Sales | 60,705 | A transformer have burned and needed to get replaced to avoide a electricity shortage in the area.There was no time to follow a RFQ process replacement needed to take place immediately. |

# Kai !Garib Local Municipality
# Appendix G1
# Budgeted Financial Performance (revenue and expenditure by standard classification)
# for the year ended 30 June 2016

| | 2016/2015 | | | | | | | | | | | | 2015/2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **90,663,300** | **85,923,858** | **176,587,158** | **-** | | **176,587,158** | **79,526,217** | | **(97,060,941)** | **45 %** | **88 %** | | | | **78,211,295** |
| Executive and council | 3,280,000 | 3,280,000 | 6,560,000 | - | | 6,560,000 | 10 | | (6,559,990) | - % | - % | | | | 1,784 |
| Budget and treasury office | 87,371,300 | 82,643,858 | 170,015,158 | - | | 170,015,158 | 79,526,207 | | (90,488,951) | 47 % | 91 % | | | | 78,132,255 |
| Corporate services | 12,000 | - | 12,000 | - | | 12,000 | - | | (12,000) | - % | - % | | | | 77,256 |
| **Community and public safety** | **254,455** | **379,950** | **634,405** | **-** | | **634,405** | **1,642,781** | | **1,008,376** | **259 %** | **646 %** | | | | **2,650,946** |
| Community and social services | 254,255 | 377,750 | 632,005 | - | | 632,005 | 1,641,682 | | 1,009,677 | 260 % | 646 % | | | | 1,205,438 |
| Sport and recreation | - | **2,200** | 2,200 | - | | 2,200 | 1,099 | | (1,101) | 50 % | DIV/0 % | | | | 1,442,725 |
| Public safety | 200 | - | 200 | - | | 200 | - | | (200) | - % | - % | | | | 2,783 |
| Housing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Health | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Economic and environmental services** | **30,074,690** | **22,232,500** | **52,307,190** | **-** | | **52,307,190** | **21,034,952** | | **(31,272,238)** | **40 %** | **70 %** | | | | **23,656,716** |
| Planning and development | 30,074,690 | 22,232,500 | 52,307,190 | - | | 52,307,190 | 21,034,952 | | (31,272,238) | 40 % | 70 % | | | | 23,656,716 |
| Road transport | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Environmental protection | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Trading services** | **82,558,830** | **83,565,000** | **166,123,830** | **-** | | **166,123,830** | **98,829,006** | | **(67,294,824)** | **59 %** | **120 %** | | | | **83,274,455** |
| Electricity | 57,846,000 | 66,936,000 | 124,782,000 | - | | 124,782,000 | 71,124,963 | | (53,657,037) | 57 % | 123 % | | | | 57,023,466 |
| Water | 11,601,130 | 7,925,000 | 19,526,130 | - | | 19,526,130 | 14,092,713 | | (5,433,417) | 72 % | 121 % | | | | 13,419,556 |
| Waste water management | 7,975,000 | 5,600,000 | 13,575,000 | - | | 13,575,000 | 7,993,740 | | (5,581,260) | 59 % | 100 % | | | | 7,543,581 |
| Waste management | 5,136,700 | 3,104,000 | 8,240,700 | - | | 8,240,700 | 5,617,590 | | (2,623,110) | 68 % | 109 % | | | | 5,287,852 |
| **Other** | **-** | **-** | **-** | **-** | | **-** | **-** | | **-** | **DIV/0 %** | **DIV/0 %** | | | | **-** |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Total Revenue - Standard** | **203,551,275** | **192,101,308** | **395,652,583** | **-** | | **395,652,583** | **201,032,956** | | **(194,619,627)** | **51 %** | **99 %** | | | | **187,793,412** |

# Kai !Garib Local Municipality
# Appendix G1
# Budgeted Financial Performance (revenue and expenditure by standard classification)
# for the year ended 30 June 2016

| | 2016/2015 | | | | | | | | | | | | 2015/2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Expenditure - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **42,895,509** | **59,599,600** | **102,495,109** | **-** | **-** | **102,495,109** | **99,529,779** | **-** | **(2,965,330)** | **97 %** | **232 %** | **-** | **-** | **-** | **96,899,127** |
| Executive and council | 12,132,200 | 16,493,400 | 28,625,600 | - | - | 28,625,600 | 16,559,190 | - | (12,066,410) | 58 % | 136 % | - | - | - | 13,822,236 |
| Budget and treasury office | 15,128,117 | 24,582,100 | 39,710,217 | - | - | 39,710,217 | 65,423,001 | - | 25,712,784 | 165 % | 432 % | - | - | - | 66,227,336 |
| Corporate services | 15,635,192 | 18,524,100 | 34,159,292 | - | - | 34,159,292 | 17,547,588 | - | (16,611,704) | 51 % | 112 % | - | - | - | 16,849,555 |
| **Community and public safety** | **10,417,510** | **14,480,800** | **24,898,310** | **-** | **-** | **24,898,310** | **14,829,150** | **-** | **(10,069,160)** | **60 %** | **142 %** | **-** | **-** | **-** | **12,680,222** |
| Community and social services | 7,662,900 | 11,895,600 | 19,558,500 | - | - | 19,558,500 | 12,341,643 | - | (7,216,857) | 63 % | 161 % | - | - | - | 9,557,551 |
| Sport and recreation | 1,733,540 | 1,651,900 | 3,385,440 | - | - | 3,385,440 | 1,728,971 | - | (1,656,469) | 51 % | 100 % | - | - | - | 2,064,225 |
| Public safety | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Housing | 444,335 | 349,600 | 793,935 | - | - | 793,935 | 348,548 | - | (445,387) | 44 % | 78 % | - | - | - | 346,293 |
| Health | 576,735 | 583,700 | 1,160,435 | - | - | 1,160,435 | 409,988 | - | (750,447) | 35 % | 71 % | - | - | - | 712,153 |
| **Economic and environmental services** | **23,359,174** | **19,019,000** | **42,378,174** | **-** | **-** | **42,378,174** | **18,799,905** | **-** | **(23,578,269)** | **44 %** | **80 %** | **-** | **-** | **-** | **17,561,509** |
| Planning and development | 15,147,536 | 10,129,500 | 25,277,036 | - | - | 25,277,036 | 9,543,416 | - | (15,733,620) | 38 % | 63 % | - | - | - | 9,231,572 |
| Road transport | 8,211,638 | 8,889,500 | 17,101,138 | - | - | 17,101,138 | 9,256,489 | - | (7,844,649) | 54 % | 113 % | - | - | - | 8,329,937 |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| **Trading services** | **105,095,082** | **87,058,400** | **192,153,482** | **-** | **-** | **192,153,482** | **113,191,478** | **-** | **(78,962,004)** | **59 %** | **108 %** | **-** | **-** | **-** | **100,390,100** |
| Electricity | 63,910,698 | 53,990,050 | 117,900,748 | - | - | 117,900,748 | 60,862,721 | - | (57,038,027) | 52 % | 95 % | - | - | - | 56,039,792 |
| Water | 21,876,321 | 17,657,750 | 39,534,071 | - | - | 39,534,071 | 19,339,364 | - | (20,194,707) | 49 % | 88 % | - | - | - | 18,450,733 |
| Waste water management | 7,958,438 | 6,197,200 | 14,155,638 | - | - | 14,155,638 | 20,986,395 | - | 6,830,757 | 148 % | 264 % | - | - | - | 15,538,550 |
| Waste management | 11,349,625 | 9,213,400 | 20,563,025 | - | - | 20,563,025 | 12,002,998 | - | (8,560,027) | 58 % | 106 % | - | - | - | 10,361,025 |
| **Other** | **-** | **16,982,205** | **16,982,205** | **-** | **-** | **16,982,205** | **608,635** | **-** | **(16,373,570)** | **4 %** | **DIV/0 %** | **-** | **-** | **-** | **-** |
| Other | - | 16,982,205 | 16,982,205 | - | - | 16,982,205 | 608,635 | - | (16,373,570) | 4 % | DIV/0 % | - | - | - | 3,754,901 |
| **Total Expenditure - Standard** | **181,767,275** | **197,140,005** | **378,907,280** | **-** | **-** | **378,907,280** | **246,958,947** | **-** | **(131,948,333)** | **65 %** | **136 %** | **-** | **-** | **-** | **231,285,859** |
| **Surplus/(Deficit) for the year** | **21,784,000** | **(5,038,697)** | **16,745,303** | **-** | | **16,745,303** | **(45,925,991)** | | **(62,671,294)** | **(274)%** | **(211)%** | | | | **(43,492,447)** |

# Kai !Garib Local Municipality
# Appendix G2
# Budgeted Financial Performance (revenue and expenditure by municipal vote)
# for the year ended 30 June 2016

| | 2015/16 | | | | | | | | | | | 2014/15 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue by Vote** | | | | | | | | | | | | | | | |
| Executive and council | 3,280,000 | - | 3,280,000 | - | | 3,280,000 | 10 | | (3,279,990) | - % | - % | | | | 1,784 |
| Budget and treasury | 87,371,300 | (4,727,441) | 82,643,859 | - | | 82,643,859 | 79,010,299 | | (3,633,560) | 96 % | 90 % | | | | 78,132,255 |
| Corporate services | 12,000 | (12,000) | - | - | | - | - | | - | DIV/0 % | - % | | | | 77,256 |
| Community and social services | 8,436,585 | (7,760,635) | 675,950 | - | | 675,950 | 2,971,782 | | 2,295,832 | 440 % | 35 % | | | | 2,702,307 |
| Technical and enginering services | 80,912,390 | 2,803,110 | 83,715,500 | - | | 83,715,500 | 98,945,688 | | 15,230,188 | 118 % | 122 % | | | | 84,910,061 |
| Planning and development | 21,784,000 | 2,000 | 21,786,000 | - | | 21,786,000 | 19,548,788 | | (2,237,212) | 90 % | 90 % | | | | 21,795,321 |
| **Total Revenue by Vote** | **201,796,275** | **(9,694,966)** | **192,101,309** | **-** | | **192,101,309** | **200,476,567** | | **8,375,258** | **104 %** | **99 %** | | | | **187,618,984** |
| **Expenditure by Vote to be appropriated** | | | | | | | | | | | | | | | |
| Executive and council | 11,385,556 | 5,107,844 | 16,493,400 | - | - | 16,493,400 | 16,546,226 | - | 52,826 | 100 % | 145 % | - | - | - | 13,822,236 |
| Budget and treasury | 25,690,828 | (1,108,728) | 24,582,100 | - | - | 24,582,100 | 43,317,283 | - | 18,735,183 | 176 % | 169 % | - | - | - | 80,204,814 |
| Corporate services | 13,640,748 | 4,883,352 | 18,524,100 | - | - | 18,524,100 | 17,547,588 | - | (976,512) | 95 % | 129 % | - | - | - | 16,849,555 |
| Community and social services | 10,736,960 | (5,276,860) | 5,460,100 | - | - | 5,460,100 | 4,543,865 | - | (916,235) | 83 % | 42 % | - | - | - | 5,575,926 |
| Technical and enginering services | 112,167,843 | (5,309,643) | 106,858,200 | - | - | 106,858,200 | 110,807,849 | - | 3,949,649 | 104 % | 99 % | - | - | - | 123,077,196 |
| Planning and development | 6,390,341 | 1,849,559 | 8,239,900 | - | - | 8,239,900 | 8,497,270 | - | 257,370 | 103 % | 133 % | - | - | - | 10,227,672 |
| **Total Expenditure by Vote** | **180,012,276** | **145,524** | **180,157,800** | **-** | **-** | **180,157,800** | **201,260,081** | **-** | **21,102,281** | **112 %** | **112 %** | **-** | **-** | **-** | **249,757,399** |
| **Surplus/(Deficit) for the year** | **21,783,999** | **(9,840,490)** | **11,943,509** | **-** | | **11,943,509** | **(783,514)** | | **(12,727,023)** | **(7)%** | **(4)%** | | | | **(62,138,415)** |

# Kai !Garib Local Municipality
# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2016

| | 2015/16 | | | | | | | | | | | | 2014/15 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue By Source** | | | | | | | | | | | | | | | |
| Property rates | 24,018,845 | (3,533,486) | 20,485,359 | - | | 20,485,359 | 15,556,330 | | (4,929,029) | 76 % | 65 % | | | | 13,588,100 |
| Property rates - penalties & collection charges | 2,200,000 | - | 2,200,000 | - | | 2,200,000 | 1,185 | | (2,198,815) | - % | - % | | | | 141,861 |
| Service charges - electricity revenue | 54,265,000 | 10,935,000 | 65,200,000 | - | | 65,200,000 | 69,423,986 | | 4,223,986 | 106 % | 128 % | | | | 55,750,395 |
| Service charges - water revenue | 11,555,000 | (3,740,000) | 7,815,000 | - | | 7,815,000 | 14,016,879 | | 6,201,879 | 179 % | 121 % | | | | 12,606,696 |
| Service charges - sanitation revenue | 7,975,000 | (2,375,000) | 5,600,000 | - | | 5,600,000 | 7,993,740 | | 2,393,740 | 143 % | 100 % | | | | 7,543,581 |
| Service charges - refuse revenue | 5,092,500 | (2,092,500) | 3,000,000 | - | | 3,000,000 | 5,557,059 | | 2,557,059 | 185 % | 109 % | | | | 5,229,565 |
| Service charges - other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Rental of facilities and equipment | 183,005 | 78,945 | 261,950 | - | | 261,950 | 214,426 | | (47,524) | 82 % | 117 % | | | | 204,077 |
| Interest earned - external investments | 120,000 | 80,000 | 200,000 | - | | 200,000 | 200,756 | | 756 | 100 % | 167 % | | | | 130,290 |
| Interest earned - outstanding debtors | 7,800,000 | 3,200,000 | 11,000,000 | - | | 11,000,000 | 11,063,670 | | 63,670 | 101 % | 142 % | | | | 9,444,527 |
| Dividends received | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Fines | 94,250 | 2,750 | 97,000 | - | | 97,000 | 117,424 | | 20,424 | 121 % | 125 % | | | | 302,527 |
| Licences and permits | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Agency services | 8,083,140 | (7,661,640) | 421,500 | - | | 421,500 | 1,107,658 | | 686,158 | 263 % | 14 % | | | | 957,431 |
| Transfers recognised - operational | 55,402,000 | (4,690,000) | 50,712,000 | - | | 50,712,000 | 52,996,090 | | 2,284,090 | 105 % | 96 % | | | | 55,351,115 |
| Other revenue | 793,535 | 100,965 | 894,500 | - | | 894,500 | 1,089,350 | | 194,850 | 122 % | 137 % | | | | 1,465,951 |
| Gains on disposal of PPE | - | - | - | - | | - | 400,000 | | 400,000 | DIV/0 % | DIV/0 % | | | | - |
| Total Revenue (excluding capital transfers and contributions) | **177,582,275** | **(9,694,966)** | **167,887,309** | **-** | | **167,887,309** | **179,738,553** | | **11,851,244** | **107 %** | **101 %** | | | | **162,716,116** |

# Kai !Garib Local Municipality
# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2016

| | 2015/16 | | | | | | | | | | | 2014/15 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Expenditure By Type** | | | | | | | | | | | | | | | |
| Employee related costs | 72,451,246 | 14,346,454 | 86,797,700 | - | - | 86,797,700 | 91,860,502 | - | 5,062,802 | 106 % | 127 % | - | - | - | 86,266,134 |
| Remuneration of councillors | 4,937,000 | 1,559,000 | 6,496,000 | - | - | 6,496,000 | 5,650,962 | - | (845,038) | 87 % | 114 % | - | - | - | 4,960,501 |
| Debt impairment | 16,500,000 | (16,500,000) | - | | - | - | 15,612,017 | - | 15,612,017 | DIV/0 % | 95 % | - | - | - | 13,637,914 |
| Depreciation & asset impairment | - | - | - | | - | - | 21,298,190 | - | 21,298,190 | DIV/0 % | DIV/0 % | - | - | - | 30,158,565 |
| Finance charges | 1,820,000 | (1,820,000) | - | - | - | - | 11,934,139 | - | 11,934,139 | DIV/0 % | 656 % | - | - | - | 2,693,701 |
| Bulk purchases | 50,350,000 | (3,750,000) | 46,600,000 | - | - | 46,600,000 | 50,869,470 | - | 4,269,470 | 109 % | 101 % | - | - | - | 45,018,457 |
| Other materials | 2,140,080 | (46,580) | 2,093,500 | - | - | 2,093,500 | 1,559,452 | - | (534,048) | 74 % | 73 % | - | - | - | 2,788,139 |
| Contracted services | 8,605,000 | 5,355,000 | 13,960,000 | - | - | 13,960,000 | 14,565,246 | - | 605,246 | 104 % | 169 % | - | - | - | 10,576,376 |
| Transfers and grants | 5,748,669 | 1,580,331 | 7,329,000 | - | - | 7,329,000 | 12,257,878 | - | 4,928,878 | 167 % | 213 % | - | - | - | 13,331,797 |
| Other expenditure | 17,460,281 | (578,681) | 16,881,600 | - | - | 16,881,600 | 21,367,484 | - | 4,485,884 | 127 % | 122 % | - | - | - | 21,854,277 |
| Loss on disposal of PPE | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Expenditure | **180,012,276** | **145,524** | **180,157,800** | **-** | **-** | **180,157,800** | **246,975,340** | **-** | **66,817,540** | **137 %** | **137 %** | **-** | **-** | **-** | **231,285,861** |
| **Surplus/(Deficit)** | **(2,430,001)** | **(9,840,490)** | **(12,270,491)** | **-** | | **(12,270,491)** | **(67,236,787)** | | **(54,966,296)** | **548 %** | **2,767 %** | | | | **(68,569,745)** |
| Transfers recognised - capital | 24,214,000 | - | 24,214,000 | - | | 24,214,000 | 21,294,403 | | (2,919,597) | 88 % | 88 % | | | | 25,077,296 |
| Contributions recognised - capital | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Contributed assets | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) after capital transfers & contributions** | **21,783,999** | **(9,840,490)** | **11,943,509** | **-** | | **11,943,509** | **(45,942,384)** | | **(57,885,893)** | **(385)%** | **(211)%** | | | | **(43,492,449)** |
| Taxation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) after taxation** | **21,783,999** | **(9,840,490)** | **11,943,509** | **-** | | **11,943,509** | **(45,942,384)** | | **(57,885,893)** | **(385)%** | **(211)%** | | | | **(43,492,449)** |
| Attributable to minorities | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) attributable to municipality** | **21,783,999** | **(9,840,490)** | **11,943,509** | **-** | | **11,943,509** | **(45,942,384)** | | **(57,885,893)** | **(385)%** | **(211)%** | | | | **(43,492,449)** |
| Share of surplus/ (deficit) of associate | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) for the year** | **21,783,999** | **(9,840,490)** | **11,943,509** | **-** | | **11,943,509** | **(45,942,384)** | | **(57,885,893)** | **(385)%** | **(211)%** | | | | **(43,492,449)** |