WEST COAST DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

General Information

Mayoral committee	Cllr. J H Cleophas (Executive Mayor) Ald. J J Josephus (Deputy Executive Mayor) Cllr. A Kruger (Speaker) Cllr. B J Stanley Cllr. A P Mouton Cllr. W D Loff Cllr. M Koen
Other Councillors	Cllr. J Swart Cllr. R Skei Cllr. J Barnard Cllr. S A Gxabalashe Cllr. C H Heyns Ald. E Plaatjies Cllr. M Smit Cllr. C J Snyders Cllr. S R Claassen Cllr. E L Mgingqi Cllr. J J Fransman Ald. N V Mgoqi Cllr. J J Cillie Cllr. S T Vries Ald. N J A Rust Cllr. N S Zatu Cllr. A Sindyamba
Grading of local authority	Grade 4
Auditors	AUDITOR GENERAL Registered Auditors
Bankers	First National Bank 62001436014 First National Bank 53060007920
Credit Rating	Long Term : A- Short Term : A1-
Registered office	58 LONG STREET MOORREESBURG 7310
Postal address	P O BOX 242 MOORREESBURG 7310
Telephone	022 - 433 8400
Fax	086 692 6113
Accounting Officer	H F Prins
Chief Finance Officer (CFO)	J Koekemoer

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

I AM RESPONSIBLE FOR THE PREPARATION OF THESE ANNUAL FINANCIAL STATEMENTS, WHICH ARE SET OUT ON PAGES 3 TO 93, IN TERMS OF SECTION 126 (1) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, AND WHICH I HAVE SIGNED ON BEHALF OF THE MUNICIPALITY. I CERTIFY THAT THE SALARIES, ALLOWANCES AND BENEFITS OF COUNCILLORS AS DISCLOSED IN NOTE 22 OF THESE ANNUAL FINANCIAL STATEMENTS ARE WITHIN THE UPPER LIMITS OF THE FRAMEWORK AS ENVISAGED IN SECTION 219 OF THE CONSTITUTION, READ WITH THE REMUNERATION OF PUBLIC OFFICE BEARERS ACT AND THE MINISTER OF PROVINCIAL AND LOCAL GOVERNMENT'S DETERMINATION IN ACCORDANCE WITH THIS ACT.

H F Prins
Municipal Manager - 30 November 2016

J Koekemoer
Chief Financial Officer - 30 November 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 (Restated)
Assets			
Current Assets			
Cash and cash equivalents	6	226 914 873	198 967 183
Trade receivables from exchange transactions	5	3 686 991	9 654 364
Other receivables from exchange transactions	4	8 773 120	6 288 610
Inventories	3	3 573 308	2 809 059
Employee benefit - roads receivable	15	607 000	674 000
		243 555 292	**218 393 216**
Non-Current Assets			
Investment property	7	4 605 492	4 638 703
Property, plant and equipment	8	324 791 510	352 000 045
Intangible assets	9	1 028 903	1 481 197
Employee benefit - roads receivable	15	11 797 000	15 641 000
		342 222 905	**373 760 945**
Total Assets		**585 778 197**	**592 154 161**
Liabilities			
Current Liabilities			
Finance lease obligation	44	-	870 122
Trade payables from exchange transactions	10	16 470 304	27 721 400
VAT payable	11	917 466	2 155 077
Unspent conditional grants and receipts	12	1 483 836	365 969
Employee benefits	13	7 447 376	7 534 034
Current portion of long-term liabilities	14	15 492 689	14 127 443
		41 811 671	**52 774 045**
Non-Current Liabilities			
Medical aid benefits	15	63 420 000	57 826 000
Long service awards	16	7 460 000	6 919 000
Long-term liability	14	57 245 315	72 738 290
		128 125 315	**137 483 290**
Total Liabilities		**169 936 986**	**190 257 335**
Net Assets		**415 841 211**	**401 896 826**
Accumulated surplus	17	415 841 211	401 896 826

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 (Restated)
Revenue			
Revenue from exchange transactions			
Service charges	18	113 875 025	107 439 237
Roads agency services	45	145 936 197	110 516 286
Other revenue	19	4 731 981	6 004 348
Fees earned		10 000	403 973
Resort income	7	3 035 663	3 000 953
Finance Income	47	17 176 155	13 525 870
Total revenue from exchange transactions		**284 765 021**	**240 890 667**
Revenue from non-exchange transactions			
Taxation revenue			
Other revenue	19	657 806	1 165 999
Actuarial gains recognised - employee benefits	46	347 503	5 534 989
Government grants & subsidies	20	88 623 500	84 418 434
Total revenue from non-exchange transactions		**89 628 809**	**91 119 422**
Total revenue		**374 393 830**	**332 010 089**
Expenditure			
Employee related costs	21	(146 032 972)	(132 634 991)
Remuneration of councillors	22	(6 152 615)	(5 883 073)
Depreciation and amortisation		(13 597 719)	(12 695 300)
Finance costs	24	(8 943 059)	(10 454 063)
Repairs and maintenance	23	(82 140 268)	(56 090 850)
Bulk purchases	25	(10 682 893)	(10 614 821)
Allowance for impairment	48	(281 633)	(360 939)
General expenses	26	(66 830 397)	(64 149 076)
Total expenditure		**(334 661 556)**	**(292 883 113)**
Operating surplus		**39 732 274**	**39 126 976**
Loss on disposal of assets and liabilities		(20 284 889)	(760 936)
Actuarial loss on road receivable	15	(5 503 000)	-
		(25 787 889)	**(760 936)**
Surplus for the year		**13 944 385**	**38 366 040**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated balance at 01 July 2014 Restated	**363 530 786**	**363 530 786**
Changes in net assets		
Surplus for the year	38 366 040	38 366 040
Total changes	38 366 040	38 366 040
Balance at 01 July 2015 Restated	**401 896 827**	**401 896 827**
Changes in net assets		
Surplus for the year	13 944 385	13 944 385
Total changes	13 944 385	13 944 385
Balance at 30 June 2016	**415 841 212**	**415 841 212**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		216 114 711	210 514 535
Road services		130 803 747	110 516 286
Interest income		17 176 155	13 525 870
		364 094 613	334 556 691
Payments			
Employees costs		(146 325 690)	(135 282 948)
Suppliers		(159 712 743)	(129 915 823)
Finance costs		(8 943 059)	(10 454 063)
		(314 981 492)	(275 652 834)
Net cash flows from operating activities	28	**49 113 121**	**58 903 857**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(6 418 713)	(16 155 002)
Proceeds from sale of property, plant and equipment	8	251 132	660 293
Proceeds from sale of intangible assets	9	-	35 149
Net cash flows from investing activities		**(6 167 581)**	**(15 459 560)**
Cash flows from financing activities			
Movement in long-term liability		(14 127 729)	(12 944 565)
Finance lease payments		(870 121)	(571 041)
Net cash flows from financing activities		**(14 997 850)**	**(13 515 606)**
Net increase/(decrease) in cash and cash equivalents		**27 947 690**	**29 928 691**
Cash and cash equivalents at the beginning of the year		198 967 183	169 038 492
Cash and cash equivalents at the end of the year	6	**226 914 873**	**198 967 183**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Transfer of functions between entities not under common control

Definitions

Certain functions might be transferred between entities not under common control.

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

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Initial Recognition

Each transfer of functions between entities not under common control is accounted for by applying the acquisition method.

The acquisition method implies recognising and measuring the identifiable assets acquired, the liabilities assumed and non-controlling interest in the acquiree, and recognising the difference between the assets and liabilities and the consideration transferred to the seller.

The identifiable assets acquired and the liabilities assumed are initially recognised at their acquisition-date fair values.

For each transfer of functions, the acquisition date components of non-controling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation and is measured at fair value.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by the Standards of GRAP.

Any difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date is recognised in surplus or deficit.

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger accurs, a provisional amount is recorded in the financial statements for the items of which the accounting is incomplete. During the measurement period, the provisional amounts recognised are adjusted retropectively at the merger date and, if known, would have effected the measurement of the amountsrecognised as of that date. The measurement period ends as soon as the combined entity's receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. The measurement period shall not exceed two years from the merger date.

If a transfer of functions in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

a) for a pre-existing non-contractual relationship, fair value.
b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
    i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the ac acquirer when compared with terms for current market transactions for the same or similar items.
    ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the acguirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Subsequent Measurement

At the transfer date, the assets acquired and liabilities assumed shall be classified or designed as necessary in order to apply other Standards of GRAP subsequently. Those classifications or designations are made on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant condotions that exist at the tranfer date.

As of the transfer date, all the assets transferred and liabilties relinquised in a transfer of functions shall be derecognised from the financial statements, at their carrying amounts.

Accounting Policies

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

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

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

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

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the municipality (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:
- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the municipality expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor‘s employees, is not accounted for as part of the liabilities at the transfer date. The municipality does not recognise those costs as part of a transfer of functions. Instead, the municipality recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to effect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

1.5 Mergers

Definitions

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

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

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

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

Identifying the combined entity and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

Accounting Policies

1.5 Mergers (continued)

Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Other criteria for the entity (as the combined entity)

The assets and liabilities that quality for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the merger date.

Costs that the entity expects but which the municipality is not obliged to incur in the future to effect its plan to exit an activity of the combining entities or to terminate the employment of, or relocate the combining entities' employees, is not be accounted for as part of the liabilities at the merger date. The entity does not recognise those costs as part of a merger. Instead, the municipality recognises these costs in its annual financial statements after the merger has occurred, in accordance with the applicable Standards of GRAP.

Accounting Policies

1.5 Mergers (continued)

Accounting by the entity as the combined entity

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the merger date.

The municipality considers all relevant factors in determining whether information obtained after the merger date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the merger date. Relevant factors include the date when additional information is obtained and whether the municipality can identify a reason for a change to provisional amounts.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the merger had been completed at the merger date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a merger only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure incurred in relation to the merger

Expenditures incurred in relation to the merger are costs that the entity incurs to effect the merger. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, costs to furnish information to owners of the combining entities, and salaries and other expenses related to services of employees involved in achieving the merger. It also includes costs or losses incurred in combining the assets and liabilities of the combining entities. The municipality accounts for such expenditure as expenses in the period in which the costs are incurred.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

At the merger date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, the operating or accounting policies and other relevant conditions as these exist at the merger date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

Accounting Policies

1.5 Mergers (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

The annual financial statements of the municipality are prepared using uniform accounting policies for similar transactions and other events or similar circumstances.

Accounting by entity as the combining entity

Assets transferred and liabilities de-recognised

As of the merger date, the municipality as the combining entity transfer and de-recognise from its annual financial statements, all the assets and liabilities de-recognised at their carrying amounts.

Until the merger date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred and the liabilities de-recognised are recognised in accumulated surplus or deficit.

1.6 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - beach development	25 to 50

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

1.7 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance and are expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

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

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

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

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.

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 under construction - This cost include all expenditure related directly to specific projects still in progress at period end. Incomplete construction work is stated as historical cost.

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 to 30
Other Structures (Infrastructure)	Straight line	0 to 100

Accounting Policies

1.7 Property, plant and equipment (continued)

Other	Straight line	2 to 22

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 municipality 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.

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

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

Borrowing costs are treated in accordance with the provisions of GRAP 5 using the allowed alternative treatment. In accordance with these provisions borrowing costs are interest and other costs incurred in connection with the borrowing of money. Borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset are capitalised. Borrowing costs incurred other than on a qualifying asset are recognised as an expense in surplus or deficit when incurred. The amount of borrowing costs capitalised is limited to the actual borrowing costs incurred on the borrowing less any investment income on the temporary investment of the funds borrowed.

Accounting Policies

1.8 Intangible assets

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

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

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

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

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

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

An intangible asset 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.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Intangible assets	5 years

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

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

1.9 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.

Accounting Policies

1.9 Financial instruments (continued)

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.

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

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.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; 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.

Accounting Policies

1.9 Financial instruments (continued)

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.

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.

Accounting Policies

1.9 Financial instruments (continued)

Classification

The municipality 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
Other trade receivables from non-exchange transactions	Financial asset measured at fair value
Cash and Cash equivalents	Financial asset measured at fair value
Trade receivables from exchange transactions	Financial asset measured at fair value

The municipality 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
Trade and other payables from exchange transactions	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value
Long-term liabilities	Financial liability measured at amortised cost

Trade and other payables are intially measured at fair value plus transaction costs that are directly attributed to the aquisition and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are initially recognised at fair value plus transaction cost that directly attributed to the aquisition and subsequently stated at amortised cost, less provision for impairment. This provision is based on a review of all outstanding amounts at year end and is establised when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms. The amount of the provision is the effective interest rate. Bad debts are written off during the year in which they are identified. Subsequent recoveries of amounts proviously written off are credited against the relevent revenue stream in the statement of financial performance.

Long term financial liabilities are classified as financial liabilities that are measured at amortised cost.

Cash and cash equivalents includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investment in financial instruments, net bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Initial recognition

The municipality 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 municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.9 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.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

Accounting Policies

1.9 Financial instruments (continued)

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

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.

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

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

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

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

If a transfer does not result in derecognition because the 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.

Accounting Policies

1.9 Financial instruments (continued)

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

1.10 Value added tax

The municipality accounts for Value Added Tax (VAT) on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero - rated in terms of section 11, exempted in terms of section 12 of the VAT Act or out of scope for VAT purposes. The timing of payments to / from the South African Revenue Service is on the twenty fifth day of each of the twelve months of the financial year.

1.11 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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 8.5%.

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 - municipality as lessor

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

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

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

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

Operating leases - municipality as 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.

Accounting Policies

1.12 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.

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

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

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

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

Water inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

The water levels in the dams are based on cubic meter capacity taking into account the capacity of the dam, based on land surveying reports and the curve of the dam. Readings of water levels are taken at year-end, which is quantified at the above fair value. Water and purified effluent are measured at the lower of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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.

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.

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.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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.

Accounting Policies

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

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

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

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Accounting Policies

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Employee benefits

Employee benefits are all forms of consideration given by the 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.

Accounting Policies

1.15 Employee benefits (continued)

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.

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.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.According to the rules of the medical aid funds, with which the municipality are associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and the municipality for the remaining 70% or 60%. The municipality adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

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.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

Accounting Policies

1.15 Employee benefits (continued)

- 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 determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.15 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. An Actuarial valuation was performed and a liability was determined as a result of the actuarial valuation. The actuarial valuation will be revised on a annual basis. The valuation was calculated based on the following assumptions : Discounted rate used is the Yield Curve, Health care cost inflation rate is CPI+1% and a net effective discound rates reflects the time value of money by reference to market yields at the reporting date on government bonds.

Accounting Policies

1.15 Employee benefits (continued)

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of it's employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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

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

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

The detailed plan includes (as a minimum);
- the location, function, and approximate number of employees whose service are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Accounting Policies

1.16 Provisions (continued)

A constructive obligation to restructure arises only when the municipality:

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

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

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

1.17 Revenue recognition

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.

Revenue from exchange transactions

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

Accounting Policies

1.17 Revenue recognition (continued)

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 charges relating to distribution of 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 on a monthly basis when meter readings have not been performed. The provisional estimates of comsumption 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property 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.

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 charges relating to sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

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.

Rental income from operating leases is recognised on a straight line basis over the lease term.

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

Commission for agency services is recognised as per the service level agreement with the municipality. The percentage calculated during a financial year are based on the total funds received from the agent.

1.18 Revenue from non-exchange transactions

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

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

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Transfers

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

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

Fines

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

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.

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

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

Services in-kind are recognised as revenue and as assets when it is probable that the future economic benefits or service potencial will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality , and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality . The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Accounting Policies

1.19 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.12, 1.13 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures and prior period errors

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

Prior period errors have been corrected in terms of GRAP 3, Accounting policies, changes in accounting estimates and errors, in the period in which they occured, or the earliest period reported.

1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11 (3) of the Municipal Finance Management Act (Act No 56 of 2003), and includes:

Overspending of the total amount appropriated in the municipality's approved budget;
Overspending of the total amount appropriated for a vote in the approved budget;
expenditure from a vote unrelated to the department or functional area covered by the vote;
expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

1.22 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.

1.23 Irregular expenditure

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.

Accounting Policies

1.23 Irregular expenditure (continued)

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.

1.24 Materiality

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

1.25 Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrance of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
- it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilites are not recognised. Contingencies are disclosed in note 41.

1.26 Capital commitments

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

Disclosures are required in respect of unrecognised capital commitments, which are disclosed in note 35.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met::

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

1.27 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.

Accounting Policies

1.27 Budget information (continued)

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 functional classification linked to performance outcome objectives.

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

The annual financial statements and the budget are not 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. Explanations of significant variances greater than ten percent or five hundred thousand rand versus the budget are given in appendix A.

1.28 Related parties

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.

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.

1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liablities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.30 Critical accounting estimates and judgements

The provisions represents management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write stock down to the lower of cost or net realisable value. The write down is zero.

The present value of the post retirement obligation depends on a number of factors that are determined on a actuarial basis using a number of assumptions, which include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The estimation of the useful lives of assets is based on management's judgement. Any material adjustments to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units require management to make assumptions to determine the fair value less cost to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

Where impairment indicators exist, the determination of the recoverable service amount of a non-cash generating asset requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating asset.

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provision for doubtfull debt is calculated on trade receivables only, i.e. service debtors, housing rentals and other debtors. The total impairment provision of the municipality is calculated per risk category.

1.31 Events after the reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

2. New standards and interpretations

2.1 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:

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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 set the effective date for the standard.

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

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

GRAP 20: Related parties

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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.

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 for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 109 : Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or agent in understanding transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements to revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be recognised by an agent or principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

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

3. Inventories

Consumable Inventory	2 851 817	1 905 545
Water Stock	721 491	903 514
	3 573 308	**2 809 059**

In the current year there were no inventory items written down.

Inventory pledged as security

No Inventory was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Other receivables from exchange transactions

Water : Sales	4 715 011	3 649 284
Fire Services : Saldanha and West Coast	510 151	442 776
Operating Leases	170 978	-
Other	519 717	1 191 789
Insurance claims	91 765	410 086
Roads receivable	1 457 187	-
Advance payments : Members fees	1 377 463	964 626
Net Balance (Allowance for Impairment)	(69 152)	(369 951)
Total other debtors	**8 773 120**	**6 288 610**

Reconcilliation of allowance for impairment

Other receivables from non-exchange transactions	(69 152)	(369 951)

Figures in Rand	2016	2015

5. Trade receivables from exchange transactions

Gross balances		
Electricity	72 942	50 502
Water	3 769 380	9 529 415
Sewerage	13 385	12 877
Other	1 573	5 958
Housing rental	123 863	111 260
	3 981 143	**9 710 012**
Less: Allowance for impairment		
Less : Allowance for impairment	(294 152)	(55 648)
Net balance		
Electricity	72 942	50 502
Water	3 769 380	9 529 415
Sewerage	13 385	12 877
Other	1 573	5 958
Housing rental	123 863	111 260
Net balance (Allowance for impairment)	(294 152)	(55 648)
Net balance	**3 686 991**	**9 654 364**
Reconcilliation of allowance for impairment (including Other Receivable from Exchange)		
Balance at the beginning of the year	(425 599)	(260 751)
Contributions to provision	(281 633)	(360 939)
Debt impairment written off against provision	386 292	232 701
Funds recovered	(42 363)	(36 610)
	(363 303)	**(425 599)**
Reconciliation of allowance for impairment between Trade and Other Receivables		
Trade receivable from exchange transactions	294 151	55 648
Other receivables from exchange transactions	69 152	369 951
	363 303	**425 599**
Age analysis per service (net of allowance for impairment)		
Service Debtors (Water, Electricity, Sewerage and Other)		
Current (0 -30 days)	3 576 905	9 359 619
31 - 60 days	181 166	183 924
61 - 90 days	69 498	37 030
91 - 120 days	15 962	10 103
121 - 365 days	13 749	8 074
	3 857 280	**9 598 750**
Housing Rental		
Current (0 -30 days)	73 086	79 733
31 - 60 days	29 852	22 822
61 - 90 days	20 925	8 155
91 - 120 days	-	552
	123 863	**111 262**

Figures in Rand	2016	2015

5. Trade receivables from exchange transactions (continued)

Summary of debtors age analysis

Trade receivables		
Current (0 -30 days)	3 649 991	9 439 352
31 - 60 days	211 018	206 746
61 - 90 days	90 423	45 185
91 - 120 days	15 962	10 655
121 - 365 days	13 749	8 074
> 365 days	-	-
	3 981 143	9 710 012
Less: Allowance for impairment	(294 152)	(55 648)
	3 686 991	**9 654 364**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash book balances	226 449 174	7 159 189
Short-term investments	465 249	191 807 544
Floats	450	450
Total cash and cash equivalents	**226 914 873**	**198 967 183**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Current Account	221 486 233	6 438 919	6 617 752	221 487 899	6 440 039	6 620 082
First National Bank - Current Account	4 971 930	739 594	514 384	4 961 275	719 150	491 781
Floats	450	450	450	450	450	450
Short-term investments	465 249	191 807 544	161 926 179	465 249	191 807 544	161 926 179
Total	**226 923 862**	**198 986 507**	**169 058 765**	**226 914 873**	**198 967 183**	**169 038 492**

Summary of short term investments per different account held

First National Bank - Call Account	465 249	27 428 507
Investec	-	15 255 719
ABSA	-	67 568 630
Nedcor	-	20 411 279
Nedcor	-	40 351 930
Nedcor	-	20 791 479
	465 249	**191 807 544**

Average Rate of return on Investments	6.90%	6.50%

.

7. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Ganzekraal beach development	5 508 050	(902 558)	4 605 492	5 508 050	(869 347)	4 638 703

Fair value of investment properties (Fair value determined by Rode Property Valuation & Research)	13 677 360	8 881 850

Pledged as security

No properties was pledged as security in current and prior financial year nor restrictions.

The municipality owns a beach developement (Ganzekraal). The property is 2332.6578 hectares and the municipality receives rental income (camping fees). 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. Please refer to appendix B of Property, Plant and Equipment, Intangible and Investment Property for detailed disclosures.

Rental revenue from investment property was R3 035 663 (2015: R3 000 953) as disclosed in the Statement of Financial Performance.

8. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	23 017 847	-	23 017 847	23 017 845	-	23 017 845
Buildings	57 138 805	(20 642 363)	36 496 442	55 552 275	(17 852 797)	37 699 478
Infrastructure	319 322 092	(73 114 055)	246 208 037	339 045 784	(67 172 954)	271 872 830
Other	60 548 936	(41 479 752)	19 069 184	58 254 250	(38 844 358)	19 409 892
Total	**460 027 680**	**(135 236 170)**	**324 791 510**	**475 870 154**	**(123 870 109)**	**352 000 045**

Pledged as security

No properties was pledged as security in current and prior financial year.

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. Please refer to appendix B of Property, Plant and Equipment, Intangibles and Investment Property for detailed disclosures.

9. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	3 303 007	(2 274 104)	1 028 903	3 271 757	(1 790 560)	1 481 197

Figures in Rand	2016	2015

9. Intangible assets (continued)

Pledged as security

No assets have been pledged as security in the current and previous financial year.

Other information

The municipality acquired intangible assets with finite useful lives of five years. The straight-line method of amortisation will be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. Please refer to appendix B of Property, Plant and Equipment, Intangibles and Investment Property for detailed disclosures.

10. Trade payables from exchange transactions

Sundry creditors	4 157 309	4 657 237
Payments received in advanced - contract in process	57 601	158 116
Roads payable	-	13 675 263
Accrued interest	-	52 790
Accrued leave pay	8 442 277	7 038 722
Retentions	386 288	1 286 162
Trade payables	3 417 167	840 471
Deferred operating lease payments	9 662	12 639
Total	**16 470 304**	**27 721 400**

11. VAT payable

VAT 201 return as at 30 June	453 272	868 097
VAT Output payable from debtors	464 194	1 286 980
	917 466	**2 155 077**

VAT is payable on the payment basis. Only once payments are received from debtors is VAT paid to SARS.

12. Unspent conditional grants and receipts

See note 20 for detailed reconciliation of grants

These amounts are invested and ring-fenced within the municipality's short-term investments until utilised.

Unspent conditional grants and receipts comprices of :

Provincial Management Support Grant	158 423	359 787
Municipal Systems Improvement Grant	142 711	-
Provincial Management Support Grant	650 000	-
Working for Water	118 739	-
Capacity Building Health	128 593	-
Install Rainwater Tanks	54 886	-
Rural Roads Management	219 733	-
Donations Mayor	10 751	6 182
	1 483 836	**365 969**

13. Employee Benefits

Reconciliation of short-term portion of employee benefits - 2016

	Opening Balance	Additions	Utilised during the year	Total
Short-term portion of Medical aid Benefits	3 233 000	2 904 000	(3 233 000)	2 904 000
Short-term portion of Long Service Awards	547 000	503 000	(547 000)	503 000
Short-term portion of Performance Bonus	262 559	280 938	(262 559)	280 938
Short-term portion of Bonus	3 491 475	3 825 458	(3 557 495)	3 759 438
	7 534 034	**7 513 396**	**(7 600 054)**	**7 447 376**

Reconciliation of short-term portion of employee benefits - 2015

	Opening Balance	Additions	Utilised during the year	Total
Short-term portion of Medical aid Benefits	3 104 000	3 233 000	(3 104 000)	3 233 000
Short-term portion of Long Service Awards	577 000	547 000	(577 000)	547 000
Short-term portion of Performance Bonus	245 865	262 559	(245 865)	262 559
Short-term portion of Bonus	3 095 972	3 680 637	(3 285 134)	3 491 475
	7 022 837	**7 723 196**	**(7 211 999)**	**7 534 034**

The performance bonus represents management's best estimate of the municipality's liability under performance contracts of Sec 57 employees.

The bonus represent management best estimate of the municipality's liability to pay employees thirteeth cheque.

Refer to disclosure note 16 (Long Service Award) and note 15 (Medical Aid Benefit) for detail disclosure.

14. Long term liabilities

Local Registered Stock Loans	72 738 004	86 865 733
Less : Current portion transferred to current liabilities	(15 492 689)	(14 127 443)
	57 245 315	**72 738 290**

The municipality has a unsecured external loan at the Development Bank of South Africa at a fixed rate of 8.60500%. The redeemable date of the loan is 31 October 2022. The loan is redeemed on a half-yearly basis. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department.

The municipality has a unsecured external loan at Sanlam. The redeemable date for the loan in 29 June 2018. The loan is redeemed on a half-yearly basis at 31 December and 30 June of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department. The loan is at a fixed rate of 12.54%

The municipality has an unsecured external loan at the Development Bank of South Africa at a fixed rate of 6.75% and 13.38%. The redeemable date for the loan is 30 June 2020. The loan is redeemed on a half-yearly basis as at 31 December and 30 June of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department.

The municipality has an unsecured external loan at ABSA at a fixed rate of 10.87%. The redeemable date for the loan is 31 January 2021. The loan is redeemed on a half-yearly basis as at 31 January and 31 July of each financial year. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Provisions Department.

Refer to Appendix E (1) for more detail on long-term liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Medical aid benefits

The most recent actuarial valuations of the present value of the obligation were carried out at 30 June 2016 by One Pangaea Financial Consultants and Actuaries.

Defined benefit plan	66 324 000	61 059 000

Change in Liability

Opening Balance	57 826 000	55 449 911
Service Cost	2 260 000	1 817 000
Interest Cost	5 550 000	5 182 000
Recognised actuarial (gains) loss	16 852	(1 625 359)
Benefits Paid	(2 561 852)	(2 868 552)
Current portion transferred to current liability	329 000	(129 000)
	63 420 000	**57 826 000**

Unrecognised actuarial gains / (losses)

Corridor Maximum	16 852	(1 625 359)
New gains / (losses)	(16 852)	1 625 359
	-	**-**

Net expense recognised in the statement of financial performance

Current service cost	2 260 000	1 817 000
Interest cost	5 550 000	5 182 000
Actuarial (gains) losses	16 851	(1 625 359)
Total included in employee related costs	**7 826 851**	**5 373 641**

Current Portion of Employee benefits

Opening balance	3 233 000	3 104 000
Contributions by employer	(329 000)	129 000
Closing balance	**2 904 000**	**3 233 000**

Figures in Rand	2016	2015

15. Medical aid benefits (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates (D)	10.33 %	8.94 %
Consumer price inflation (C)	8.32 %	7.05 %
Health care cost inflation (H)	9.32 %	8.05 %
Net discount rate ((1+D)/(1+H)-1)	0.92 %	0.82 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the norminal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

Accounting standard GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at statement of financial position date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimate term of the obligation.

Due to the guidance received from the auditing profession, the methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2015 the duration of the liability was 13.01 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve at the 1 June 2016 is 10.33% per annum. The assumed discount rate for 2014/15 was 8.94% per annum.

As mentioned in the paragraph above, the duration of liabilties was estimated to be 13.01 years at the previous valuation date of 30 June 2015. At 1 June 2016 the yield on inflation-linked bonds of a similar term was about 1.86% per annum, implying an underlying expectation of inflation of 8.32% per annum([1+10.33%] / [1+1.86%]-1).

A healthcare cost inflation rate of 9.32% was assumed. This is 1.0% in excess of the expected inflation over the expected term of the liability, at 8.32%. However it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the normal values. The municipality thus assumed a net discount factor of 0.92% per annum ([1+10.33%] / [1+9.32%]-1).

The demographic assumptions for female and male are 65 at normal retirement age, 63 at fully accrued age (to take account for ill-health and early retirement decrements) and actual service entry ages for employment age used for past service period. Age difference between spouses and proportion married for active employees are 5 years and actual marital status. Age defference between spouses and proportion married for pensioners are actual ages and actual matital status.

Decrement assumption - The pre-retirement mortality table of SA85-90 and post-retirement mortality table of PA(90) are used.

Contiuation percentages - The assumption is made that continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

IIncome brackets at retirement - It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirment is referred to as the Net Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. A Net Replacement Ratio on retirement of 75% is used in the assumption. A salary inflation assumption is used to adjust the salary from the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

15. Medical aid benefits (continued)

Sensitivity Analysis

The liability by this valuation is dependent on the assumptions set out in the economic assumptions. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised in accordance with a consistently applied amortisation process. The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Mortality rate - The table below shows the impact of a change in the mortality assumption from PA(90) to PA(90) with a two year adjustment.(PA(90) - 2 means that to each beneficiary the municipality assigned a mortality rate of a individual two years younger than that beneficiary.

	Valuation basis - PA(90)	**Valuation basis - PA(90)-2**
Employer's accrued liability	66 324 000	71 615 000
Employer's service cost	2 822 000	3 021 000
Employer's interest cost	6 701 000	7 248 000

Medical care cost inflation - The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.92% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows :

	One percentage point increase	One percentage point decrease
Effect on the agregate of the service cost	3 533 000	2 278 000
Effect on the defined benefit obligation	76 889 000	57 774 000
Effect on the aggregate of the interest cost	7 792 000	5 819 000

Employee benefit - Roads receivable

In terms of the memorandum of Agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the Municipality. The future claim for roads staff for post employment medical aid has therefore been raised as a long-term debtor.

Employee benefit-Roads receivable		
Opening balance	16 315 000	11 856 000
Current service cost	767 000	366 000
Interest cost	1 499 000	1 050 000
Expected benefits paid	(674 000)	(637 000)
Actuarial loss / (gain)	(5 503 000)	3 680 000
	12 404 000	**16 315 000**

Statement of Financial Position		
Employee benefits - Roads receivable (Current Assets)	607 000	674 000
Employee benefits - Roads receivable (Non-current Assets)	11 797 000	15 641 000
	12 404 000	**16 315 000**

Figures in Rand	2016	2015

16. Long-term portion of Long Service Awards

Long Service Awards		
Provision for Long Service Awards	7 963 000	7 466 000
Less : Transferred to Current Provisions	(503 000)	(547 000)
Net Long Service Awards liability	**7 460 000**	**6 919 000**

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2016 become entitled to in future, based on a actuarial valuation performed at that date.

An actuarial valuation of the present value of the obligation at 30 June 2016 was done by One Pangaea Financial Consultants and Actuaries.

The future service cost for ensuing year is established to be R661 000 whereas the interest-cost for the next year in estimated to be R688 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

- Discount Rate - 9.51%
- CPI (Consumer Price Inflation) - 7.57%
- Normal Salary Increase Rate - 8.57%
- Net Effective Discount Rate - 0.87%
- Mortality - SA85-90
- Normal retirement age - 65

2016

Details of employees eligible for long service awards are detailed below	Active Employees	Salary Weighted Average Age (years)	Weighted Average Past Service (years)
All employees	495	41.00	9.25

2015

Details of employees eligible for long service awards are detailed below	Active Employees	Salary Weighted Average Age (years)	Weighted Average Past Service (years)
All employees	487	42.70	10.19

The amount recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 963 000	7 466 000

The amount recognised in the Statement of Financial Performance are as follows:

Current service costs	661 000	668 000
Interest cost	688 000	573 000
Actuarial (gain)/loss on the obligation	(364 355)	(230 541)
	984 645	**1 010 459**

The movement in the long service awards liability over the year is as follows:

Balance at beginning of the year	7 466 000	7 059 000
Current service cost	661 000	668 000
Interest cost	688 000	573 000

Figures in Rand	2016	2015

16. Long-term portion of Long Service Awards (continued)

Benefits paid	(487 645)	(603 459)
Actuarial (gain)/loss on the obligation	(364 355)	(230 541)
	7 963 000	**7 466 000**

Changes in economic variables -
Over the past financial year the net effective discount rate, changes in economic variables caused a decrease in the liability around R182 000.

Membership changes -
Over the past financial year various membership changes took place. This along with some other small changes, caused a increase in the liability of around R6 000.

Changes in withdrawal -
The effect of a 1% movement in the withdrawal rates will be as follow:

	- 1% Withdrawal rate	Valuation Assumption	+1% Withdrawal rate
Employer's accrued liability	7 362 000	7 963 000	8 639 000
Employer's expense cost	1 253 000	1 364 000	1 492 000
	8 615 000	**9 327 000**	**10 131 000**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Accumulated surplus

Balance as at 1 July	401 896 827	363 530 787
Net gain / loss for the period	13 944 385	38 366 040
	415 841 212	**401 896 827**

18. Service charges

Fire fighting services	326 158	518 737
Sale of electricity	541 153	447 701
Sale of water	112 891 501	106 368 657
Sewerage and sanitation charges	116 213	104 142
	113 875 025	**107 439 237**

19. Other revenue

Non - exchange transactions	-	-
Sundry overpayments	53 382	9 511
Interest on debtors	56 804	28 083
Permit fees (inland water)	-	-
Building plan fees	-	-
Other income	547 620	1 128 405
	657 806	**1 165 999**

Exchange transactions		
Rent	1 229 886	2 392 972
Water Services	13 251	319 696
Fire Services (Saldanha)	3 488 844	3 291 680
	4 731 981	**6 004 348**

Figures in Rand	2016	2015

20. Government grants and subsidies

Conditional and Unconditional

The following grants and subsidies were received and recognised:

RBIG Funds	-	3 571 176
Provincial Management Support Grant	551 363	837 308
RSC Levy Replacement Grant (Equitable Share)	66 398 000	64 792 000
Equitable Share	14 060 000	11 192 000
MSIG	787 289	934 000
Financial Management Grant	1 250 000	1 250 000
EPWP	1 000 000	1 000 000
Donations Mayor	336 714	47 818
Capacity Building Health Services	51 407	-
Install Rain Water Tanks	443 682	-
Rural Roads Management	2 199 267	-
Greenest M.C.	-	124 835
Working for Water	637 968	461 604
Other Government Grants and Subsidies	907 810	207 693
	88 623 500	**84 418 434**

20.1) RBIG Funds

Balance unspent at the beginning of the year	-	-
Current year receipts	-	3 571 176
Current year interest	-	-
Conditions met - transferred to revenue	-	(3 571 176)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic Objective - Essencial bulk services.

The purpose of the grant is to provide a desalination plant within the West Coast District Municipality area.

20.2) MSIG

Balance unspent at the beginning of the year	-	-
Current year receipts	930 000	934 000
Current year interest	-	-
Conditions met - transferred to revenue	(787 289)	(934 000)
Conditions still to be met - transferred to liabilities	**142 711**	**-**

Strategic Objective - Good governance and financial viability.

The purpose of the grant was to provide infrastructure for the implementation of mSCOA (Municipal Standard Chart of Accounts).

20.3) Financial Management Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	1 250 000	1 250 000
Current year interest	-	-
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic Objective - Good governance and financial viability.

The purpose of the grant was to support the training of municipal officials in financial management, the appointment of interns and the acquisition, upgrade and maintenance of financial management systems.

Figures in Rand	2016	2015

20. Government grants and subsidies (continued)

20.4) Provincial Management Support Grant

Balance unspent at the beginning of the year	359 787	397 095
Current year receipts	350 000	800 000
Current year interest	-	-
Conditions met - transferred to revenue	(551 363)	(837 308)
Conditions still to be met - transferred to liabilities	**158 424**	**359 787**

Strategic Objective - Good governance and financial viability

The purpose of the grant is to provide shared risk management services within the West Coast District area.

20.5) Donations Mayor

Balance unspent at the beginning of the year	6 182	-
Current year receipts	341 282	54 000
Current year interest	-	-
Conditions met - transferred to revenue	(336 714)	(47 818)
Conditions still to be met - transferred to liabilities	**10 750**	**6 182**

20.6) EPWP Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	1 000 000	1 000 000
Current year interest	-	-
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic Objective - Environmental Integrity

The purpose of the grant was for community safety, sustainable land-based livelihoods, development and maintenance of buildings, health, road and stormwater system development and maintenance and other social sector projects.

20.7) Greenest Municipality

Balance unspent at the beginning of the year	-	74 835
Current year receipts	-	50 000
Current year interest	-	-
Conditions met - transferred to revenue	-	(124 835)
Conditions still to be met - transferred to liabilities	**-**	**-**

20.8) Working for Water

Balance unspent at the beginning of the year	-	-
Current year receipts	756 707	461 604
Current year interest	-	-
Conditions met - transferred to revenue	(637 968)	(461 604)
Conditions still to be met - transferred to liabilities	**118 739**	**-**

Strategic Objective : Environmental Integrity

The purpose of the grant was to clean-up water sensitive areas within the West Coast District.

20.9) Provincial Management Support Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	650 000	-
Current year interest	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	**650 000**	**-**

Figures in Rand	2016	2015

20. Government grants and subsidies (continued)

Strategic Objective - Good governance and financial viability

The purpose of the grant is to support the intership program as well as strategic services within the West Coast District area.

20.10) Capacity Building Health		
Balance unspent at the beginning of the year	-	-
Current year receipts	180 000	-
Current year interest	-	-
Conditions met - transferred to revenue	(51 407)	-
Conditions still to met - transferred to liabilities	**128 593**	**-**

Strategic Objective - Environmental Integrity

The purpose of the grant is to build capacity of the health services official within the West Coast District area.

20.11) Install Rainwater Tanks		
Balance unspent at the beginning of the year	-	-
Current year receipts	498 568	-
Current year interest	-	-
Conditions met - transferred to revenue	(443 682)	-
Conditions still to be met - Transferred to liabilities	**54 886**	**-**

Strategic Objective - Environmental Integrity

The purpose of this grant is to provide a sustainable water supply for food gardens and reduce comsumption of water resources due to drought conditions experienced within the West Coast area.

20.12) Rural Roads Management		
Balance unpent at the beginning of the year	-	-
Current year receipts	2 419 000	-
Current year interest	-	-
Conditions met - transferred to revenue	(2 199 267)	-
Conditions still to be met - transferred to liabilities	**219 733**	**-**

Strategic Objective - Essencial bulk services

The purpose of the grant is to develop a rural roads management plan within the West Coast District.

Unspent conditional grants and receipts		
PAWC and State Funds : Various Projects (See note 12)	1 483 836	365 969

Figures in Rand	2016	2015

21. Employee related costs

	-	-
Employee related costs - Salaries and Wages	83 884 075	78 866 727
Employee related costs - Contributions for UIF, pensions and medical aids	19 810 809	17 828 684
Bonus paid	1 761 052	1 637 222
Bonus paid (Roads)	824 550	791 070
Travel, motor car, accommodation, subsistence and other allowances	9 747 632	7 414 879
Other payroll levies	2 876 824	2 586 997
Overtime payments	7 221 964	6 010 960
Contributions to Employee Benefits	11 673 396	11 403 285
Leave accrual	1 687 324	932 003
Special allowances	5 293 107	4 683 215
Housing benefits and allowances	1 252 239	479 949
	146 032 972	**132 634 991**

Remuneration of municipal manager (This expense forms part of Employee related costs)

Annual Remuneration	1 555 775	1 460 826
Car Allowance	195 576	195 576
Performance Bonuses	84 696	79 311
Contributions to UIF, Medical and Pension Funds	60 983	37 447
Telephone Allowance	15 984	20 184
Other	1 000	81
	1 914 014	**1 793 425**

Remuneration of chief financial officer (This expense forms part of Employee related costs)

Annual Remuneration	1 017 167	947 932
Car Allowance	26 877	26 877
Performance Bonuses	59 287	55 518
Contributions to UIF, Medical and Pension Funds	235 526	210 861
Telephone Allowance	15 984	20 184
Other	750	81
	1 355 591	**1 261 453**

Remuneration of individual executive directors - Technical Services (This expense forms part of Employee related costs)

Annual Remuneration	1 103 152	1 021 484
Car Allowance	120 000	120 000
Performance Bonuses	59 287	55 518
Contributions to UIF, Medical and Pension Funds	61 120	44 186
Telephone Allowance	15 984	20 184
Other	-	81
	1 359 543	**1 261 453**

Remuneration of individual executive directors - Corporate and Community Services (This expense forms part of Employee related costs)

Annual Remuneration	974 045	901 597
Car Allowance	120 000	120 000
Performance Bonuses	59 287	55 518
Contributions to UIF, Medical and Pension Funds	186 409	164 073
Telephone Allowance	15 984	20 184
Other	-	81
Long service awards	-	72 417

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Employee related costs (continued)

	1 355 725	**1 333 870**

22. Remuneration of councillors

Executive Mayor	646 044	539 493
Deputy Executive Mayor	711 640	623 461
Mayoral Committee Members	2 408 426	2 101 495
Speaker	421 908	386 435
Councillors and Secretarial support	1 690 619	1 990 945
Councillors' pension contribution	273 978	241 244
	6 152 615	**5 883 073**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and secretarial support at the cost of the municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Renumeration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Repairs and maintenance

Repairs and maintenance are disclosed per municipal vote or department.

Executive and Council	-	18 665
Finance and Administration	114 177	692 327
Health	18 154	33 432
Community and Social Services	334 438	441 693
Housing	638 332	456 361
Public Safety	1 630 469	1 704 928
Road Transport	74 987 935	48 864 469
Water Services	4 416 763	3 878 975
	82 140 268	**56 090 850**

24. Finance costs

Long term liabilities	8 919 839	10 370 122
Finance leases	23 220	83 941
	8 943 059	**10 454 063**

25. Bulk purchases

Water	10 682 893	10 614 821

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. General expenses

Advertising	491 558	381 624
Assessment rates & municipal charges	387 753	357 968
Auditors remuneration	2 910 262	3 027 950
Study - rural roads	2 190 751	-
Water tanks	422 554	-
Computer expenses	898 858	1 946 547
Consulting and professional fees	2 653 805	1 956 077
Delivery expenses	-	12 612
Insurance	397 286	282 801
Rental offices	264 619	1 448 147
Water demand management	115 404	22 751
Lease rentals on operating lease	505 417	425 651
Motor vehicle expenses	312 198	248 194
Contribution to free municipal services	726 949	679 654
Fuel and oil	12 044 977	12 001 911
Placement fees	1	-
Printing and stationery	970 951	852 711
Security (Guarding of municipal property)	337 890	284 824
Subscriptions and membership fees	557 108	508 661
Telephone and fax	1 538 787	1 313 517
Transport and freight	692 492	2 700 450
Training	1 161 689	2 061 619
Travel - local (subsistance allowance)	1 701 443	889 324
Electricity	21 144 455	18 373 312
Water	154 207	113 957
Water and milk samples	358 537	230 031
Uniforms	724 503	690 886
Chemicals	5 128 219	5 449 094
Sundry expenses	11 860	13 005
Exhibitions	327 864	408 252
Contributions and grants	296 758	387 184
Professional services (Water services)	1 050 637	812 041
Interest transfer	239 440	208 261
Other operating expenses	6 111 165	6 060 060
	66 830 397	**64 149 076**

27. Correction of error

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

27. Correction of error (continued)

27.1) Summary of errors

	Adjustments 2016
Sundry Overpayments - UIF amounting to R1 199 was refunded. Reference number for the payment was 179274.	(1 199)
Insurance - Revenue received in 2015/16 for vehicles disposed during the 2014/15 financial year. The vehicles involved are CEA 5555 (Asset number 09957) and CEA 12168 (Asset number 06818)	319 122
Insurance - Payment made for vehicles added to the insurance policy in the prior year.	(3 396)
Property, Plant and equipment - Land was disposed not registered in the name of the municipality.	(591 873)
Inventory - Received printer equipment into stock that was expensed as repairs & maintenance during the 2014/15 financial year.	3 580
Inventory - Received uniforms into stock that was expensed as general expenses during the 2014/15 financial year.	352 952
	79 186

Statement of Financial Performance	**Opening balance before adjustment**	**Adjustment**	**Balance after adjustment**
Other revenue from non-exchange transactions	1 167 196	(1 199)	1 165 997
Repairs and Maintenance	(56 094 430)	3 580	(56 090 850)
General expenditure	(64 498 632)	349 556	(64 149 076)
Loss on disposal of assets and liabilities	(488 183)	(272 753)	(760 936)
	(119 914 049)	**79 184**	**(119 834 865)**

General expenses - Note 26	**Opening balance before adjustment**	**Adjustment**	**Balance after adjustment**
Insurance	279 405	3 396	282 801
Uniforms	1 038 948	(348 062)	690 886
Other operating expenses	6 064 950	(4 890)	6 060 060
	7 383 303	**(349 556)**	**7 033 747**

Statement of Financial Position	**Opening balance before adjustment**	**Adjustment**	**Balance after adjustment**
Other receivables from exchange transactions	5 969 488	319 122	6 288 610
Inventory	2 452 527	356 532	2 809 059
Property, Plant and equipment	352 591 918	(591 873)	352 000 045
Trade payables from exchange transactions	(27 716 805)	(4 595)	(27 721 400)
	333 297 128	**79 186**	**333 376 314**

Accumulated Surplus	**Opening balance before adjustment**	**Adjustment**	**Balance after adjustment**
Balance as at 30 June 2015	401 817 640	79 186	401 896 826

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Cash generated from operations

Surplus for the period	13 944 385	38 366 040
Adjustments for:		
Depreciation and amortisation	13 597 719	12 695 300
Loss on PPE	20 284 889	760 936
Impairment of receivables from non-exchange transactions	281 633	360 939
Roads receivable - Employee benefits	3 911 000	(4 459 000)
Donated Assets - Other Assets	(20 987)	-
Changes in working capital:		
Inventories	(764 249)	(837 187)
Trade receivables from exchange transactions	5 685 739	(2 650 089)
Other trade receivables from exchange transactions	(2 484 510)	5 294 598
Payables from exchange transactions	(11 251 096)	3 231 024
VAT	(1 237 611)	2 922 970
Unspent conditional grants and receipts	1 117 867	(105 960)
Employee benefits	5 507 342	2 887 286
Long Service Awards	541 000	437 000
	49 113 121	**58 903 857**

29. Utilisation of Long-term liabilities reconciliation

Long - term liabilities (see Note 14)	72 738 004	86 865 733
Used to finance property, plant and equipment	(72 738 004)	(86 865 733)
Cash set aside for the repayment of long-term liabilities	15 492 689	14 127 443
Cash invested for repayment of long - term liabilities	**15 492 689**	**14 127 443**

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

30. Unauthorised expenditure

Reconciliation of Unauthorised expenditure	-	-
Opening balance	-	-
Unauthorised expenditure current year	-	161 069
Approved by Council or condoned	-	(161 069)
Unauthorised expenditure awaiting authorisation	**-**	**-**

The municipality incurred unauthorised expenditure of 1% of its capital budget due to unforeseen expenditure on the PVR systems project in the Technical Department. Votes within the operating budget, namely community and housing services was overspent due to employeebenefits valuations done at year-end. These expenditure was condoned by council on 26 August 2015.

Capital - 2015	Budget	Actual	Variance
Vote 1 - Community Services	1 701 000	(1 647 964)	53 036
Vote 2 - Subsidised Services	2 888 000	(2 871 550)	16 450
Vote 3 - Economic Services	100 000	(96 987)	3 013
Vote 4 - Trading Services	11 474 700	(11 708 268)	(233 568)
	16 163 700	**(16 324 769)**	**(161 069)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. Fruitless and wasteful expenditure

Reconciliation of Fruitless and wasteful expenditure	9 215	-
Opening balance	-	518
Fruitless and wastefull expenditure current year	-	8 697
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	**9 215**	**9 215**

The municipality went into an agreement with Eskom in 1998 for the supply of electricity to pump stations (boreholes). The line runs across farms including Droëfontein. It came to management's attention that there was an additional connection done on this line. To this effect, management questioned whether this connection was authorized by the municipality. After an investigation by the municipality's internal audit department the following action was taken :

An account was sent on the 27th of July 2015 which was settled by the farmer on the 31th of July 2015;
An agreement was singed between the farmer and the municipality on the 27th of July 2015; and
The incident was referred to the human resources department to follow disciplinary procedures.

32. Irregular expenditure

Opening balance	12 351 346	-
Add: Irregular Expenditure - current year	21 042 205	12 431 934
Less: Amounts written-off	(33 316 256)	(80 588)
Less: Amounts recoverable (not written-off)	-	-
Less: Amounts not recoverable (not written-off)	-	-
Irregular expenditure awaiting condonement	**77 295**	**12 351 346**

32. Irregular expenditure (continued)

Details of irregular expenditure - 2015

	Disciplinary steps taken/criminal proceedings	
Incident 1 - Section 12(3) of the Supply Chain Management Regulations states that no procurement of goods or services can be split to avoid the Regulations. After an investigation done by the Internal Audit Department it was found that repairs and maintenance was done to vehicles where the procurement was split to avoid the Regulations.	None	30 721
Incident 2 - Section 15 (b) of the Supply Chain Management Regulations states that no procurement can be done without an official order. After an investigation by the Internal Audit Department it was found that repairs and maintenance was done to vehicles where no official order was given.	None	49 867
Incident 3 - The municipality did not comply with Section 44 of the Municipal Supply Chain Regulation where suppliers and employees in the service of the state that did not declare their interest to the Municipality.	None	110 597
Incident 4 - The municipality did not comply with Section 13 (a) Supply Chain Management Regulations by accepting quotes and traded with suppliers without obtaining their MBD4 forms.	None	36 750
Incident 5 - The municipality appointed a supplier that did not comply with Section 36 (1) (a) (v) of the Supply Chain Management Regulations.	None	153 576
Incident 6 - The Municipality did not comply with Section 11 (1) by procuring the services of Sure Swartland Travel.	None	11 613
Incident 7 - Section 9 (1) of the Preferencial Procurement Regulation states that an organ of state must , in the case of disignated sectors, where in the award of tenders local production is of critical importance. The municipality procured for the supply and delivery of a 16 seater bus from 7th Avenue Trading CC which was not a locally soured item.	None	489 008
Incident 8 - The municipality identified that a bid with a transaction value over R10 million (VAT included) and of a long term nature was not advertised for a minimum period of 30 days.	None	11 549 802
		12 431 934

Details of irregular expenditure written-off - 2015

	Condoned by (condoning authority)	
Incident 1	Mayoral Committee - BM/15/08/12/7.1.2	30 721
Incident 2	Mayoral Committee - BM/15/08/12/7.1.2	49 867
		80 588

Notes to the Annual Financial Statements

Figures in Rand		2016	2015

32. Irregular expenditure (continued)

Details of irregular expenditure - 2016

Incident 1 - The Auditor General in 2014/15 identified that a bid with a transaction value over R10 million (VAT included) and of a long term in nature was not advertised for a minimum period of 30 days. The municipality transacted on this tender while the audit was in progress (1 July 2015 tot 30 November 2015). All commitments was made after 30 November 2015. Disciplinary steps was taken by the municipality and the employee was sanctioned with a written warning valid for six months.	20 964 910
Incident 2 - The municipality did not comply with Section 16 (a) of the Municipal Supply Chain Management Regulations that states quotations must be obtained from at least three different service providers. The municipality did not obtain quotes from travel agencies for the booking of international flight tickets. The municipality only obtained quotes for the booking of domestic flights.	17 000
Incident 3 - The municipality did not fully comply with Section 32 of the Municipal Supply Chain Management Regulations that allows for the procurement of goods and services from the municipality or municipal entity under a contract secured by another organ of state. The municipality did not have 3 of the 25 preferred suppliers on its supplier database.	60 295
	21 042 205

Details of irregular expenditure written-off - 2016

Incident 1 to 8 (30 June 2015) - Council - Item 16/01/27/9.2.2	12 351 346
Incident 1 (30 June 2016) - Municipal Public Accounts Committee - MPAC/16/06/27/4.1.1	20 964 910
	33 316 256

33. Additional disclosure in terms of Municipal Finance Management Act

33.1) Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	434 566	413 553
Amount paid - current year	(434 566)	(413 553)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

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

33.2) Audit fees

Opening balance	-	-
Current year subscription / fee	2 910 262	3 027 949
Amount paid - current year	(2 910 262)	(3 027 949)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

33.3) PAYE and UIF

Opening balance	-	-
Current year subscription / fee	18 192 539	16 487 953
Amount paid - current year	(18 192 539)	(16 487 953)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

33.4) Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	19 164 258	17 262 933
Amount paid - current year	(19 164 258)	(17 262 933)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

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

33.5) VAT

VAT payable	917 466	2 155 077

VAT receivables and VAT payable are shown in note 5 and 12.

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

33.6) Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for less or more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
	-	-	-

33.7) Non-Compliance to Laws and Regulations

In terms of section 17(2) of the Municipal Supply Chain Management Regulations a designated official referred to in subregulation (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subregulation. Six reports was submitted late by the relevant official as prescribed.

In terms of section 5(3) of the Municipal Supply Chain Management Regulations an official or bid adjudication committee to which the power to make final awards has been subdelegated in accordance with subregulation (2) must within five days of the end of each month submit to the official referred to in subsection (4) a written report containing particulars of each final award made by such official or committee during the month. The relevant official did not submit the required report as prescribed.

In terms of section 57 A(7) of the Local Government Municipal Systems Act a copy of the record referred to in subsection (6) must be submitted to the MEC for local government on a quaterly basis. The report was submitted late by the relevant official as prescribed.

In terms of section 14(1)(c)(ii) of the Local Government : Municipal Planning and Performance Management Regulations an Internal Auditor must submit quaterly reports on their audits to the municipal manager and the performance audit committee referred to in subregulation (2). The report was submitted late by the relevant official as prescribed.

34. Capital Commitments

Authorised capital expenditure

Capital commitments are specific capital projests approved per tender and budget but still in progress at period end. The municipality does not have any capital commitments for this financial period.

Figures in Rand	2016	2015

35. Retirement Benefit Information

The municipality provides retirement benefits for all its permanent employees through a defined contribution plan, which is subject to the Pension Fund Act, 1956 as amended. The Contributions made by the municipality and the employees to the plan during the year were:

Cape Joint Pension Fund	288 280	274 668
Cape Joint Retirement Fund	19 889 258	18 852 327
Councillors Pension Fund	460 524	462 111
	20 638 062	**19 589 106**

Cape Joint Pension fund, which is a defined multi - employer contribution fund. Contribution ratio employees 9% and Council 18%

Councillors of the West Coast District Municipality are members of the Municipal Councillors Pension Fund, which is a defined contribution plan. Contribution ratio, Councillors 13.75% and Council 15%

Multi employer funds are treated as defined contribution funds.

Figures in Rand	2016	2015

36. Related parties

The following related parties exist:

Government Departments	National Treasury Provincial Treasury Department of Water Affairs and Forestry
Members of key management	H F Prins (Municipal Manager) J Koekemoer (Chief Financial Officer) M Markus (Director : Corporate and Community Services) H Matthee (Director : Technical Services)
Councillors	Cllr. J H Cleophas (Executive Mayor) Ald. J J Josephus (Deputy Executive Mayor) Cllr. A Kruger (Speaker) Cllr. A P Mouton (Mayoral Committee Member) Cllr. B J Stanley (Mayoral Committee Member) Cllr. W D Loff (Mayoral Committee Member) Cllr. M Koen (Mayoral Committee Member) Cllr. J Barnard Cllr. S A Gxabalashe Cllr. C H Heyns Ald. E Plaatjies Cllr. M Smit Cllr. C J Snyders Cllr. S R Claassen Cllr. E L Mqingqi Cllr. J J Fransman Ald. N V Mqogi Cllr. J J Cillie Cllr. S T Vries Ald. N J A Rust Cllr. N S Zatu Cllr. A Sindyamba Cllr. J Swart Cllr. R Skei

The Municipal Manager (Mr H F Prins) and the Chief Financial Officer (Mr J Koekemoer) are trustees in the operating lease transaction that exists between the Council and the West Coast Financing Partnership. Payments are payable every six months. The properties involved in this transaction are section 36 of the farm Yzervarkensrug number 125 and section 3 of division Malmesbury farm number 91. The transactions are disclosed below:

Related party balances

Grants received from related parties		
National Treasury	85 694 556	79 168 000
Provincial Treasury	602 770	962 142
Department of Water Affairs and Forestry	1 081 650	4 032 777
Purchases of goods and services from related parties		
Department of Water Affairs and Forestry	10 897 059	10 614 821
Sub-Lease transaction from related parties		
West Coast Financing Partnership	35 431 808	43 597 084

Related party transactions

Sub-Lease payment paid to related parties		
West Coast Financing Partnership	8 165 276	7 290 424
Sub-Lease distributions received from related parties		
West Coast Financing Partnership	8 165 276	7 290 424

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

37. Leases

37.1) Lease Payable

The total future minimum oprtating lease payments payable under existing operating lease arrengements are categorised as follows:

Figures in Rand	2016	2015

37. Leases (continued)

a) Within one year of the reporting date	546 196	177 665
b) More than one year but less than five years of the reporting date, and	496 949	137 511
	1 043 145	**315 176**

The municipality entered into an operating lease for the rental of photocopiers for five years with Mduli Sharp. There is no escalation clause.

The municipality entered into operating leases for the rental of photocopiers for three years with Konica Minolta. The is no escalation clause.

The municipality entered into an operating lease for the rental of photocopiers with Cape Office Machines. The serial numbers of the photocopiers are 3639688703 and 3639688720. There is no escalation clause.

The municipality entered into an operating lease for the rental of two offices. The lease is between Frank Family Trust and the Municipality. The contract is for a period of six months. The property involved is 86 Veldrift.

The municipality entered into an operating lease for the rental of offices. The lease is between Swemmerspark Investments and the Municipality. The contract is for a period of 3 years. The property involved is erf 1472 Clamwilliam.

The municipality entered into an operating lease for the rental of offices. The lease is between Pelican Harbour and the Municipality. The contract is for a 2 year period. The property involved is site number 4.

The municipality entered into an operating lease for the rental of offices. The lease is between Bennit Joubert Family Trust and the municipality. The contract is for a 3 year period. The property involved is site West Coast Farmstal corner of R27 and R315 Yzerfontein.

The municipality entered into an operating lease for the rental of offices. The lease is between Weskus Kwekery BK and the municipality. The contract is for one year and involves site West Coast Farmstal corner of R27 and R315 Yzerfontein..

The municipality entered into an operating lease for the rental of storage capacity. The lease is between Linu Farms and the Municipality. The contract is for a 12 month period. The property involved is erf 858 Riebeek-West.

The municipality entered into an operating lease for the rental of offices. The lease is between Saldanha Municipality and this Municipality. The contract is for a month to month period. The property involved is erf 860 Langebaan.

The municipality entered into an operating lease agreement with Business Engineering. The contract involves the Collaborator Foundation System and is for a 12 Month period.

An operating lease transaction exists between the Council and G R Damp for the period not later than 30 June 2015. The property is Swawelberg, Malmesbury (Section 5 of farm 619 Malmesbury road).

The municipality entered into an operating lease for the rental of storage capacity. The lease is between Petersfield trust and the municipality. The contract is for a 2 year period. The property involved is Petersfield 455, Voortrekker Street, Citrusdal, Section Clanwilliam.

The municipality entered into an operating lease with Bergriver Municipality. The contract is for a 3 year period. The property involved is erf 8 Aurora.

The municipality entered into an operating lease with Marcelle Ann Ellis and Jannie Nel Ellis. The contract is for a 3 year period. The property involved is Die Trek 28 Piketberg.

The municipality entered into an operating lease with Strassberger Investments. The contract is for a 3 year period. The property involved if erf 2715 Hoofweg 28A Clanwilliam.

37.2) Lease Receivable

The total future minimum significant operating lease receivable under the existing operating lease arrangement are categorised as follows:

Figures in Rand	2016	2015
37. Leases (continued)		
a) Without one year of the reporting date	304 217	-
b) More than one year but less than five years of the reporting date, and	1 521 083	1 521 050
c) More than five years	507 028	811 244
	2 332 328	**2 332 294**

The municipality entered into an operating lease as lessor with the Department of Transport and Public Works as the lessee. The lease term commenced on 1 March 2014 and expire with option to extend on 28 February 2024 and cover a period of 10 years. The property involed is the Moorreesburg Ambulance station situated on Erf 641.

Figures in Rand	2016	2015

38. Financial Risk management

Overview

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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, 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.

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

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

39. Financial instruments disclosure

39.1) Credit Risk

The carrying amount of financial assets and loans represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade and other receivables	13 404 629	15 942 974

The ageing of trade and other receivables at the reporting date was :		
Current	13 436 780	15 727 962
30 Days	211 018	206 746
60 Days	90 423	45 185
90 Days	15 962	10 655
120 Days plus	13 749	8 074
Less : Provision for bad debt	(363 303)	(55 648)
	13 404 629	**15 942 974**

Figures in Rand	2016	2015

. Financial instruments disclosure (continued)

The movement in the allowance for bad debt in respect of trade receivables over the year was :

Balance at the beginning of the year	425 599	260 751
Contributions to provisions	323 996	397 549
Expenditure incurred	(386 292)	(232 701)
	363 303	**425 599**

The allowance for impairment in respect of trade and other receivables is used to record impairment losses until the municipality is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and written off directly against the financial assets.

39.2) Liquidity risk

The following are contractual maturities of financial liabilities, including interest payments and excludes the impact of netting agreements :

Non - derivative financial liabilities 2016	Carrying Amount	Contractual Cash Flows	Within 1 Year	2 - 5 Years	More than 5 Years
Unspent conditional grants and receipts	1 483 836	1 483 836	1 483 836	-	-
Long term liabilities	72 738 004	72 738 004	15 492 689	57 245 315	-
	74 221 840	**74 221 840**	**16 976 525**	**57 245 315**	**-**

39.3) Interest rate risks

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposits investments, long-term debtors, consumer debtors, other debtors and bank and cash balances. The municipality is exposed to interest rate risk as the municipality borrows funds at a fixed interest rate. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The financial assets are based on the interest rate provided by the banks and National Government at the reporting date. The municipality's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are as follows:

Non - derivative financial assets 2016	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other receivables (8.5%)	13 404 629	-	-
Cash and Cash equivalents - short term investments (6.50%)	465 249	-	-
Cash and cash equivalents - Cash book balances (3.5% floating)	226 449 624	-	-
	240 319 502	**-**	**-**

Non-derivative financial liabilities 2016	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other payables (Interest free)	7 574 476	-	-
Unspent conditional grants and receipts	1 483 836	-	-
Long term liabilities (12.54%, 11.73%, 8.60500% and 10.87%)	15 492 689	57 245 315	-
	24 551 001	**57 245 315**	**-**

Sensitivity analysis

An increase of 1% in interest rates at 30 June would have increased / (decreased) financial assets and profit or loss by the amounts shown below. A decrease of 1% in interest rate at 30 June would have had the equal but opposite effect on the above financial instruments, on the basis that all other variables remain constant. There where no changes in the Municipality's approach from the prior year.

. Financial instruments disclosure (continued)

Non-derivative financial assets 2016	Statement of Financial Position	Profit or loss
Trade and other receivables	13 404 629	134 047
Cash and cash equivalents - Short-term investments	465 249	4 653
Cash and cash equivalents - Cash book balances	226 449 624	2 264 497
	240 319 502	**2 403 197**

39.4) Fair values

Due to their short maturities the fair values of all financial instruments are substantially identical to the values reflected in the statement of financial position.

40. Contingent Liabilities

The municipality is being sued by P Juries. This case involves the provision of housing and the payment of rental by the applicant. Council is contesting the claim based on legal advice. The case number is 16035/2010. The legal expert believe the municipality has a reasonable chance of success.

The municipality is being sued by Tredoux, wife and on behalf of her minor (child) for injuries sustained in an accident which occurred on 11 May 2015 at the intersection of the Koringberg road and the R45 road, Hopefield, Western Cape. Council is contesting the claim based on legal advise. The legal experts believe that the municipality has a reasonable chance of success. The case number is 6660/08. This is a High Court matter.

The municipality is being sued by Mr J A Kock an ex-employee for injuries contained while in the service of the municipality. Council is contesting the claim based on legal advice. The legal experts believe the municipality has a strong chance of success.

The municipality is being sued by Brochenbach and five others. The case number is 3754/2012. The legal expert believes that the municipality has no risk in this matter.

The municipality is being sued by Destiny Tashmeen Henson for injuries sustained in an accident which occurred on 10 December 2010 on the R311 between Moorreesburg and Hopefield. The case number is 19918/2013. This matter is now in the hands of the insurers.

Based on an assessment done by the legal expert the municipality has no risk in all of the above mentioned matters. Due to this fact no amounts was disclosed by the legal expert, the municipality did not disclose any amounts in the annual financial statements of any of the applicants.

Figures in Rand	2016	2015

41. Additional Disclosures in terms of 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 and includes a note to the annual financial statements. Reasons are only provided for deviations above R100 000 in these annual financial statements. Reasons for deviations below R100 000 can be viewed at the Supply Chain Management Offices.

Wolter Kluwer Tax and Accounting	13 773	-
Fintech	5 000	-
First Technology (Pty) Ltd	44 211	-
Linu Boerdery	8 848	-
Petersfield	2 160	-
SSE Cape	17 700	-
Babcock Equipment	13 064	-
Thatch Treatment Technologies	15 600	-
Thatch Treatment Technologies	13 500	-
Thatch Treatment Technologies	4 240	-
Business Engineering - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or imposible.	160 398	-
Perdeberg Motors	4 932	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Amtronix (Pty) Ltd	5 928	-
FFA Operations (Pty) Ltd	13 337	-
Forms Media Independent Africa	5 000	-
Altimax Training Academy (Pty) Ltd	60 000	-
Fintech	5 000	-
Kimru IT Logix	3 495	-
Business Engineering	60 648	-
Marce Projects (Pty) Ltd	14 881	-
Global Africa Network - Sole Supplier	188 340	-
Tradestuff 2079 CC t/a Precision Diesel - Exceptional case and it is impractical or impossible to follow the official procurement processes (Strip & Quote)	3 042	-
DMISA	5 700	-
Namibia Tourism Expo	23 431	-
Vissershok Waste Management	10 316	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
VAG-Valves SA (Pty) Ltd	2 000	-
V.I Instruments	4 669	-
Fintech	5 000	-
Lexintons Civil & Plant	15 960	-
IMASA	8 820	-
Groter Cederberg Brandbeskerming	2 945	-
Bytes Universal Systems - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	819 325	-
Viking Pony Africa	45 000	-
Bytes Universal Systems	22 281	-
Interactive Trading 498 CC	40 626	-
Mzantsi Koloni Electronics - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or ompossible.	281 329	-
IMPSA	5 900	-
Bytes Universal Systems	2 395	-

Figures in Rand	2016	2015
41. Additional Disclosures in terms of supply chain management regulations (continued)		
First Technology (Pty) Ltd	1 425	-
IMESA Conference	12 500	-
Lexintons Civil & Plant	46 512	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
IMESA Conference	6 250	-
Institute of Internal Auditors	9 000	-
Flux Interactive (Pty) Ltd	2 850	-
Wear Check Africa	10 021	-
JB's Nissan	3 635	-
Protea Hotel Stellenbosch	9 026	-
Perdeberg Motors	11 869	-
Bytes Universal Systems	16 156	-
Bytes Universal Systems	2 730	-
Fintech	5 000	-
Engine & Gearbox Master	14 250	-
Munstel	11 420	-
Academy for Construction Skills	32 300	-
Agrico	4 707	-
First Technology (Pty) Ltd	1 425	-
IMD Conference Exhibitions	15 048	-
Toevlug Sentrum	13 520	-
Exhibition Building Solutions	12 312	-
Piketberg Engineering	13 680	-
Groter Cederberg Brandbeskerming	80 500	-
Steve's Electrical	15 000	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
CSV Water Consulting Engineers	7 980	-
Riviera Hotel	3 080	-
Zaqen Actuaries (Pty) Ltd	5 500	-
Fintech	5 000	-
University of Stellenbosch	61 200	-
Oxbridge Academy (Pty) Ltd	10 240	-
Hyflo Southern Africa (Pty) Ltd	30 739	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Trac-Tech (Pty) Ltd	3 010	-
Trentyre	7 101	-
High Pressure Services	2 676	-
Piketberg Engineering	7 969	-
Speelgoed Klimrame	2 600	-
Fintech	5 000	-
Microsoft Ireland - Sole Supplier	1 185 572	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Business Engineering - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	160 398	-
Fintech	5 000	-
Trentyre	2 571	-
AAE Services	2 489	-
Ramsay, Son & Parker	17 544	-
FFA Aviation (Pty) Ltd - Emergency	556 417	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Groter Cederberg Brandbeskerming	7 590	-
Malmesbury Motors	5 112	-
FFA Aviation (Pty) Ltd	60 119	-
Auma South Africa	5 173	-

Figures in Rand	2016	2015
41. Additional Disclosures in terms of supply chain management regulations (continued)		
Supa Quick Moorreesburg	2 263	-
Sulzer Pumps SA	13 375	-
Fintech	5 000	-
FFA Aviation (Pty) Ltd - Emergency	104 962	-
FFA Aviation (Pty) Ltd - Emergency	109 733	-
FFA Aviation (Pty) Ltd	52 087	-
FFA Aviation (Pty) Ltd	4 682	-
Tour and Safari Association	3 848	-
H J van Zyl Meganies	29 808	-
Bytes Universal Systems	33 824	-
Intec College	21 531	-
Intec College	17 800	-
Mowers Durbanville	3 321	-
Man Truck & Bus	2 811	-
Man Truck & Bus	7 083	-
Ramsay, Son & Parker	6 213	-
Wesgro	22 923	-
Wesgro	19 500	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Fintech	500	-
Sivad Trading	5 366	-
Price Waterhouse Coopers - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	583 224	-
Price Waterhouse Coopers - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	306 342	-
Joshua West	32 828	-
Mzantsi Koloni Electronics	28 215	-
Agrico	4 545	-
OCSA Academy of Excellence	11 149	-
Bytes Universal Systems	5 586	-
Joshua West	20 997	-
Drainmen Plumbers CC	25 604	-
South African Institute of Environmental Health	10 200	-
University of Stellenbosch	8 000	-
Expo Studio Namibia	6 849	-
Motimer Toyota Weskus	1 250	-
Fintech	5 000	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Intec College (Pty) Ltd	21 531	-
Unisa	12 865	-
Labour Law Club	4 863	-
FFA Aviation (Pty) Ltd	60 010	-
The Boardwalk Hotel & Spa	8 370	-
J B's Nissan	14 985	-
IMFO	6 073	-
Frank Weigle's Auto Electric CC	6 640	-
J & E Motor Elektriese Dienste	2 197	-
Fintech	5 000	-
Bytes Universal Systems	41 348	-
Groter Cederberg Brandbeskerming	3 121	-
Hyflo Southern Africa	25 878	-
Skills Train Distributors	30 882	-
Barloworld Equipment	22 792	-
ICASA	6 120	-
Linu Boerdery	8 849	-

Figures in Rand	2016	2015
41. Additional Disclosures in terms of supply chain management regulations (continued)		
Petersfield	2 160	-
Fintech	7 000	-
Barloworld Equipment	61 222	-
De Kock Breakdown Services	7 500	-
Fintech	5 000	-
Barloworld Equipment	16 614	-
Barloworld Equipment	13 284	-
Pex Hydraulics	17 734	-
SAICE	4 375	-
Effective Human Interventions	6 269	-
Sure Swartland Travel - Goods or services have already been acquired by the Municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	215 200	-
Intergate Visalink (Pty) Ltd	6 872	-
Linu Boerdery	8 849	-
Petersfield	2 160	-
Provincial Government of the Western Cape	39 750	-
Steve's Electrical	5 716	-
Drainmen Plumbers CC	5 000	-
Mzantsi Koloni Equipment	4 019	-
Henred Fruehauf Trailers	11 457	-
Henred Fruehauf Trailers	12 597	-
Wear Check Africa	6 977	-
Overberg Agri	2 310	-
Fintech	5 000	-
Drainmen Plumbers CC	17 000	-
Fox Wireless	4 500	-
Improchem (Pty) Ltd - Emergency	175 000	-
Ultra Hersteldienste	74 585	-
Endress+Hauser	7 400	-
AAE Services	-	4 956
Irestore	-	8 625
F.E.S Manufacturing (Pty) Ltd	-	2 370
Man Truck & Bus SA (Pty) Ltd	-	2 839
FFA Training (Pty) Ltd	-	27 000
Marine and General Cleaning Services	-	26 978
University of Stellenbosch	-	33 000
High Power Equipment Africa (Pty) Ltd	-	18 238
GLS Consulting - Goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible.	-	382 709
Smit Ingenieurswerke & Transport	-	44 688
Labour Law Club	-	4 863
Capman (Pty) Ltd	-	9 690
Social Tulips Media Marketing	-	11 000
Smit Ingenieurswerke & Transport	-	65 208
Hazard Bonako Cape	-	3 215
Beeld Holidaymakers Expo	-	37 347
Earth2sky Geomatics	-	3 876
Nelson Mandela Metropolitan University	-	2 400
Santam Ltd	-	3 000
IMFO	-	29 918
Dillon Welding	-	3 306
Global Africa Network (Pty) Ltd - Sole Supplier	-	188 340
Ferobrake	-	2 377
Moorreesburg Gholfklub	-	19 040
UNISA	-	20 330
University of the Western Cape	-	26 160
Cape Peninsula University of Technology	-	5 006

Figures in Rand	2016	2015
41. Additional Disclosures in terms of supply chain management regulations (continued)		
Oxbridge Academy (Pty) Ltd	-	7 200
Flex-IT	-	25 080
Bytes Universal Systems	-	7 750
Arabella Hotel & Spa	-	6 000
Malmesbury Toyota	-	4 500
Zaqen Actauries	-	2 850
First Technology (Pty) Ltd	-	12 825
Man Truck & Bus SA (Pty) Ltd	-	17 000
Engine & Gearbox Master	-	9 519
Electro Diesel Motolek	-	3 619
Wolters Kluwer Tax	-	13 256
F.E.S Manufacturing (Pty) Ltd	-	12 505
Capman (Pty) Ltd	-	7 524
Wear Check Africa	-	9 644
Micosoft - Sole Supplier	-	901 732
Ramsey, Son & Parker	-	17 545
Nelson Mandela Metropolitan University	-	5 890
Mowers Durbanville CC	-	3 557
Steve's Electrical	-	29 845
Kgolo Institute	-	34 200
Tjeka Training Matters (Pty) Ltd	-	68 682
Mortimer Toyota Weskus	-	12 057
Groter Cederberg Brandbeskermingsvereniging	-	3 168
Steve's Electrical	-	832
Rayalson Investment Holdings	-	9 780
Bytes Universal Systems	-	5 265
Engine & Gearbox Master	-	12 352
Tricom Africa	-	30 000
Wear Check Africa	-	3 215
Chapman	-	15 675
Sitrus Motors	-	2 428
Colas South Africa	-	3 168
Hitachi Construction Machinery	-	24 739
Ramsay, Son & Parker	-	6 709
ADT Security	-	3 842
UNISA	-	8 100
University of Western Cape	-	30 000
Price Waterhouse Coopers - Goods or services have already been aquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements, or it will be impractical or uneconomical to acquire additional similar goods or services from another supplier or service provider.	-	877 226
Automodel BK	-	2 343
Institute of Internal Auditors	-	65 900
Wesgro - Goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements, or it will be impractical or uneconomical to acquire additional similar goods or services from another supplier or service provider.	-	103 057
Tricom Africa	-	23 728
Mzantsi Koloni - Goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirments, or it will be impractical or uneconomical to acquire additional similar goods or services from another supplier or service provider.	-	599 819
Namibia Tourism Expo	-	21 533
Cape Peninsula University of Technology	-	3 565

Figures in Rand	2016	2015
41. Additional Disclosures in terms of supply chain management regulations (continued)		
Altimax (Pty) Ltd - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	194 875
Bytes Universal Systems	-	4 355
SA Post Office	-	2 681
Babcock Equipment	-	10 387
Groter Cederberg Brandbeskerming	-	3 465
Barloworld Equipment	-	4 330
Mount Ceder	-	3 166
Expo Studio Namibia CC	-	6 302
Multichoice Africa	-	9 063
Bytes Universal Systems	-	18 981
Moorreesburg Koringboere (Overberg Agri)	-	2 400
Nicsans Roller Shutter Doors	-	2 800
Steve's Electrical	-	22 686
The Conference Zone	-	22 796
Bytes Universal Systems	-	4 406
Global Invest Trading	-	6 999
Wear Check Africa	-	10 020
Steve's Electrical	-	5 000
KSB Pumps and Valves (Pty) Ltd	-	3 312
The Karoo Farm Company	-	2 140
Groter Cederberg BBV	-	6 029
Fintech	-	60 000
	7 112 584	**4 461 896**

In terms of the Supply Chain Regulations No. 27636 - 30 May 2005 section 45 the municipality is allowed to make awards to close family members of persons in the service of the state, or who have been in the service of the state in the previous twelve months. As per the reporting period the municipality made the following awards :

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

FFA Training (Pty) Ltd - Mr John Shongwe - Coordinator - University of Mpumalanga	-	30 780
Siphenkosi Protection Services - Mr I Claasen - Bergriver Municipality - Clerk	209 046	-
MOGWE (Pty) Ltd - Mrs N Engelbrecht - Clerk - Saldanhabay Municipality	32 414	116 484
FAMSA - Mrs Joy Warries - Director - City of Cape Town	11 012	-
Lezora Trading - Department of Education - Teacher	192 101	-
Global Africa Network - Department of Agriculture - Director	188 340	-
Joseph Poni - Mr J Poni - Department of Correctional Services - Employee	993	-
Aurecon South Africa (Pty) Ltd - Ms T Majola - Member	40 704	-
PricewaterhouseCoopers Inc - Mr O Latiff - Member	1 136 109	-
IOMU Trading (Pty) Ltd - Mrs A Appollis - Department of Correctional Services - In-service training	379 840	-
Aon South Africa (Pty) Ltd - Dr N Magua - Executive Director & Non-executive chairperson of NTP Radioisotopes	772 041	-
African Oxygen Limited - Nomfundo Qangule - Goega Development Corporation - Employee	79 489	-
M C Bakwerke - Mrs R Mckrieling - West Coast District Municipality - Clerk	41 498	-
Agrifusion (Pty) Ltd - Prof A Karaan - Shareholder - National Planning Commision of the Presidency	200 000	-
Global Credit Rating Co - Mr M Ngoasheng - Non-executive director Goega Development Corporation	96 900	-
D J Vibrations - Mrss H & M Lakey - Members	2 500	-
Actom - Nkululeko Sowazi - Employee Housing Development Agency	8 944	-
Sivad Trading (Pty) Ltd - Mrs Yvonne Davis Michaels - Clerk - Department of International Relations	45 755	44 913
Cummins South Africa (Pty) Ltd - Mr Xavier Borei - MPU Parks and Tourism - Clerk	555	5 626
Blackbird Trading CC - Mrs Marlene Smit - Swartland Municipality - Snr Clerk	142 500	64 774
Liplekker Takeaways - Mr Elvin Pedro - Emergency Services - Chief EMS	5 592	48 704

Figures in Rand	2016	2015

41. Additional Disclosures in terms of supply chain management regulations (continued)

Golden Rewards 1873 CC - Mr Raynard De Jager - WC : Department of Education - Teacher	24 925	30 130
Ithuba Industries - Mrs De Morney - Sir Lowry's Pass Primary - Teacher	1 380 106	356 370
Drs Buys & Fry - Dr Francios Buys - Emegency Services - Contracted Work	-	7 296
Yolande Cloete - Mrs Yolandie Cloete - Matzikama Municipality - Councillor	-	1 950
Cillie & Associates - Ms Cillie - Department of Education - Teacher	-	7 524
Extreme Boards (Pty) Ltd - Mrs Alfreda Matthyse - Breede Valley Municipality - Municipal Manager	-	6 770
Brainwaye Projects 877 t/a D & V Safety Management - Mrs Caroline Naidoo - Richards Bay Municipality - Clerk	-	7 308
J C Refrigeration Cape CC - Lois Esterhuizen - South African Police Services - Constable	-	32 695
Piston Power Chemicals CC - Mrs Nadira Andhee - KZN Department of Education - Teacher	467 014	377 883
JB's Nissan - Mr R Kortje - Department of Education - Teacher	60 449	116 196
JB's Trucks - Mr R Kortje - Department of Education - Teacher	78 759	-
Massive Quantum (Pty) Ltd - Mrs Fiona Hendricks - City of Cape Town - Employee	98 423	-
ISPY Trade (Pty) Ltd - Miss N Lebuso - Department of Education Free State	651 077	-
	6 347 086	**1 255 403**

42. Reticulation Losses

Water		
Kiloliters purchased - after purification	25 845 914	26 046 245
Kiloliters sold	(23 730 984)	(24 211 361)
Reticulation loss	**2 114 930**	**1 834 884**
Percentage	8.18%	7.04%

The norm for water losses is 10%. The losses occurred due to burst pipes and leaks from the reservoirs to consumers.

Electricity

No electricity losses were incurred.

43. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance. Please refer to Appendix A for detailed disclosures.

Net surplus per the statement of financial performance	13 944 385	38 286 856
Adjusted for:	-	-
Accounts Exceeding Budget:	-	-
Service charges	(3 167 225)	(10 060 357)
Investment revenue	(8 926 155)	(5 275 870)
Transfers recognised - oprational	(912 950)	(699 679)
Other own revenue	(1 481 379)	(6 092 286)
Bulk purchases	382 893	814 821
Accounts Not Exceeding Budget:	-	-
Employee cost	(12 576 923)	1 784 715
Finance charges	(1 720 841)	(1 392 947)
Other own revenue	24 934 639	11 090 394
Materials	(617 752)	(2 960 590)
Other Expenditure	(24 380 821)	(17 169 107)
Accounts Not Budget for:	-	-
Depreciation & Asset impairment	(536 771)	(3 888 520)
	(15 058 900)	**4 437 430**

Figures in Rand	2016	2015

44. Finance lease obligation

Minimum lease payments due		
- within one year	-	944 082
	-	944 082
less: future finance charges	-	(73 960)
Present value of minimum lease payments	**-**	**870 122**
Present value of minimum lease payments due		
- within one year	-	870 122

The finance lease is held with Microsoft Ireland for the provision of licenses. The carrying value of the asset at the reporting date was R937 125. The finance lease interest is R23 219.

The average lease term was 3 years and the average effective borrowing rate was 8.5% (2014: 8.5%).

Interest rates are fixed at the contract date.

No arrangements have been entered into for the contingent rent. The municipality's obligations under finance leases are secured by the lessor's tittle to lease the asset.

45. Road Services

Revenue recognised	145 936 197	110 516 286

46. Actuarial gains recognised - employee benefits

Long service awards	364 355	229 631
Medical aid benefits	(16 852)	1 625 358
Road receivable	-	3 680 000
	347 503	**5 534 989**

47. Finance Income

Short-term investments	15 947 760	12 479 546
Primary bank account	1 228 395	622 066
Other interest	-	424 258
	17 176 155	**13 525 870**

48. Allowance for Impairment

Other receivables from exchange transactions	69 153	189 605
Trade receivables from exchange	212 480	171 334
	281 633	**360 939**

49. Reclassification of Property, Plant and equipemnt

The following Property, Plant and equipment were reclassified during this period:.

	Balance before Adjustment	Adjustment	Balance after Adjustment
Buildings	55 139 221	1 999 584	57 138 805
Other Assets	59 948 318	600 619	60 548 937
Infrastructure	321 922 295	(2 600 203)	319 322 092
	437 009 834	**-**	**437 009 834**