



Sedibeng District Municipality
Financial statements
for the year ended 30 June, 2016

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

General Information

Nature of business and principal activities	District Municipality – DC42
Capacity of Municipality	Medium term capacity Municipality
Accounting Officer	Mr TL Mkaza (Acting since May 2016) Mr Yunus Chamda (Seconded to Emfuleni Local Municipality since May 2016)
Chief Financial Officer	Mr CE Steyn (Acting since January 2016) Mr Brendon Scholtz (Seconded to Emfuleni Local Municipality since January 2016)
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	Standard Bank
Auditors	Auditor General
Executive Mayor	Councilor BJ Modisakeng
Speaker	Councilor G Hlongwane
Chief Whip	Councilor SA Mshudulu
Members of Mayoral Committee	Councilor PB Tsotetsi Councilor WV Mcera Councilor TS Maphalla Councilor MD Raikane Councilor MM Gomba Councilor JK Malindi Councilor YJ Mahommed Councilor MT Ronyuza

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

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MMC	Member of the Mayoral Committee
MFMA Act	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment
SCM	Supply Chain Management

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2016 and were signed on its behalf by:

Mr. TL Mkaza
Acting Municipal Manager

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Accounting Officer's Report

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

1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

2. Going concern

We draw attention to the fact that at 30 June, 2016, the municipality had accumulated surplus of R 47,811,471 and that the municipality's total assets exceed its liabilities by R 47,811,471.

The ability of the municipality to continue as a going concern is dependent on a number of factors. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

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

3. Accounting policies

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

4. Accounting Officer

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

Name	Nationality
Mr Yunus Chamda (Seconded since May 2016)	RSA
Mr Thomas Mkaza (Acting since May 2016)	RSA

5. Bankers

Standard Bank has been appointed in the previous financial year as the Municipality's banker

6. Auditors

Auditor General will continue in office for the next financial period.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Financial Position as at 30 June, 2016

Figures in Rand	Note(s)	2016	2015 as restated
Assets			
Current Assets			
Inventories	6	249,326	298,186
Receivables from exchange transactions	7	19,800,000	12,747,458
VAT receivable	8	-	2,452,906
Construction of assets in progress	5	5,740,270	18,543,682
Cash and cash equivalents	9	8,902,708	10,414,507
		34,692,304	44,456,739
Non-Current Assets			
Property, plant and equipment	2	138,993,953	151,954,779
Intangible assets	3	955,129	1,636,268
Heritage assets	4	4,462,880	4,462,880
		144,411,962	158,053,927
Total Assets		179,104,266	202,510,666
Liabilities			
Current Liabilities			
Finance lease obligation	10	-	43,460
Payables from exchange transactions	13	114,494,086	89,149,334
VAT payable	14	148,902	-
Unspent conditional grants and receipts	11	16,649,807	19,972,179
Provisions	12	-	187,610
Total Current Liabilities		131,292,795	109,352,583
Non-Current Liabilities			
Finance lease obligation	10	-	-
Total Non-Current Liabilities		-	-
Total Liabilities		131,292,795	109,352,583
Net Assets		47,811,471	93,158,083
Net Assets			
Accumulated surplus		47,811,471	93,158,083

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 as restated
Revenue			
Sale of goods		2,481,633	2,416,400
Rental of facilities and equipment		8,215,161	8,927,595
Agency services		7,176,292	6,613,396
Licenses and permits		61,390,138	56,875,639
Other income	16	3,633,612	26,827,560
Interest received - investment	17	2,518,866	2,813,797
Government grants & subsidies	19	258,610,416	260,478,021
Total revenue		344,026,118	364,952,408
Expenditure			
Employee related costs	20	(228,998,467)	(209,350,369)
Remuneration of councillors	21	(12,431,722)	(11,481,004)
Depreciation and amortisation	22	(22,294,572)	(28,583,637)
Finance costs	23	(503)	(16,580)
Lease rentals on operating lease		(6,438,176)	(6,726,058)
Debt Impairment	24	(137,243)	(94,454)
Public participation		(360,868)	(231,773)
Repairs and maintenance		(5,473,452)	(4,103,046)
Contracted services	25	(42,087,391)	(35,961,758)
Transfers and Subsidies	18	(5,646,927)	(9,907,635)
Sale of goods/Inventory	27	(2,130,447)	(2,177,189)
General Expenses	26	(63,373,779)	(61,926,523)
Total expenditure		(389,373,547)	(370,560,026)
Operating deficit		(45,246,843)	(5,607,618)
Gain (loss) on disposal of assets and liabilities		120,662	136,166
Deficit for the year		(45,226,767)	(5,471,452)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		98,914,612	98,914,612
Adjustments (Change in accounting policy)	33.2	-	-
Correction of errors	33.1	248,716	248,716
Balance at 1 July, 2014 as restated*		99,163,328	99,163,328
Changes in net assets			
Transfer from / (to) reserves		(533,793)	(533,793)
Net income (losses) recognised directly in net assets		(533,793)	(533,793)
Surplus (Deficit) for the year		(5,471,452)	(5,471,452)
Total recognised income and expenses for the year		(6,005,245)	(6,005,245)
Opening balance as previously reported		92,365,454	92,365,454
Adjustments (Change in accounting policy)	33.2	-	-
Correction of errors	33.1	792,629	792,629
Balance at 1 July, 2015 as restated*		93,158,083	93,158,083
Changes in net assets			
Surplus (Deficit) for the year		(45,226,767)	(45,226,767)
Transfer from / (to) reserves		(119,845)	(119,845)
Total recognised income and expenses for the year		(45,346,612)	(45,346,612)
Balance at 30 June, 2016		47,811,471	47,811,471

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Cash Flow Statement

Figures in Rand

	Note(s)	2016	2015 as restated
Cash flows from operating activities			
Receipts			
Grants		260,958,411	265,782,681
Interest income		2,518,866	2,813,797
Other receipts		64,487,924	66,896,899
License Receipts		236,681,853	237,173,498
		<u>564,647,054</u>	<u>572,666,875</u>
Payments			
Employee costs		(242,148,786)	(220,831,374)
Suppliers		(159,037,478)	(169,163,068)
Licensing Authority		(156,126,030)	(171,636,892)
		<u>(557,312,294)</u>	<u>(561,631,334)</u>
Net cash flows from operating activities	29	7,334,760	11,035,541
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(8,844,818)	(14,638,343)
Proceeds from sale of property, plant and equipment	2	230,879	342,563
Purchase of other intangible assets	3	(188,657)	(1,037,227)
Net cash flows from investing activities		(8,802,596)	(15,333,007)
Cash flows from financing activities			
Finance lease payments		(43,963)	(263,779)
Net increase/(decrease) in cash and cash equivalents		(1,511,799)	(4,561,245)
Cash and cash equivalents at the beginning of the year		10,414,507	14,975,752
Cash and cash equivalents at the end of the year	9	8,902,708	10,414,507

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	3,300,000	(1,085,530)	2,214,470	2,481,633	267,163
Rental of facilities and equipment	9,525,175	(216,976)	9,308,199	8,215,161	(1,093,038)
Agency services	6,720,947	(292,607)	6,428,340	7,176,292	747,952
Licenses and permits	59,826,790	3,746,623	63,573,413	61,390,138	(2,183,275)
Other income - (rollup)	15,515,088	(64,811)	15,450,277	3,633,612	(11,816,665)
Interest received - investment	2,040,000	-	2,040,000	2,518,866	478,866
Total revenue from exchange transactions	96,928,000	2,086,699	99,014,699	85,415,702	(13,598,997)

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	262,738,000	452	262,738,452	258,610,416	(4,128,036)
Total revenue	359,666,000	2,087,151	361,753,151	344,026,118	(17,727,033)

Expenditure

Personnel	(210,039,698)	(10,235,740)	(220,275,438)	(228,998,467)	(8,723,029)
Remuneration of councillors	(12,698,371)	65,856	(12,632,515)	(12,431,722)	200,793
Depreciation and amortisation	(26,767,200)	2,918,600	(23,848,600)	(22,294,572)	1,554,028
Finance costs	-	-	-	(503)	(503)
Lease rentals on operating lease	(7,043,125)	(480,275)	(6,562,850)	(6,438,176)	124,674
Debt impairment				(137,243)	(137,243)
Public Participation	(600,000)	232,800	(367,200)	(360,868)	6,332
Repairs and maintenance	(3,890,624)	(1,163,870)	(5,054,494)	(5,473,452)	(418,958)
Contracted Services	(36,458,394)	(6,228,123)	(42,686,517)	(42,087,391)	599,126
Transfers and Subsidies	(5,282,794)	905,098	(5,377,696)	(5,646,927)	(269,231)
Sale of goods/Inventory	(2,930,000)	930,000	(2,000,000)	(2,130,447)	(130,447)
General Expenses	(52,930,800)	(3,595,731)	(56,526,931)	(63,373,779)	(6,847,248)

Total expenditure	(359,641,006)	(15,690,835)	(375,331,841)	(389,373,547)	(14,041,706)
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Operating deficit	24,994	(13,603,684)	(13,578,690)	(45,347,429)	(31,768,739)
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Gain on disposal of assets and liabilities	100,000	-	100,000	120,076	20,662
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Deficit before taxation	124,994	(13,603,684)	(13,478,690)	(45,226,767)	(31,748,077)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	124,994	(13,603,684)	(13,478,690)	(45,226,767)	(31,748,077)
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Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	249,326	249,326
Receivables from exchange transactions	35,892,998	-	35,892,998	19,800,000	(16,092,998)
VAT receivable	-	-	-	-	-
Construction of assets in progress	-	-	-	5,740,270	5,740,270
Cash and cash equivalents	19,193,982	(8,360,306)	10,833,676	8,902,708	(1,930,968)
	55,086,980	(8,360,306)	46,726,674	34,692,304	(12,034,370)

Non-Current Assets

Property, plant and equipment	103,560,057	(746,659)	102,813,398	138,993,953	36,180,555
Intangible assets	-	-	-	955,129	955,129
Heritage assets	-	-	-	4,462,880	4,462,880
	103,560,057	(746,659)	102,813,398	144,411,962	41,598,564

Total Assets	158,647,037	(9,106,965)	149,540,072	179,104,266	29,564,194
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Liabilities

Current Liabilities

Payables from exchange transactions	53,596,559	(8,503,281)	45,093,278	114,494,086	69,400,808
Unspent conditional grants and receipts	-	-	-	16,649,807	16,649,807
VAT Payable	-	-	-	148,902	148,902
	53,596,559	(8,503,281)	45,093,278	131,292,795	86,199,517

Total Liabilities	53,596,559	(8,503,281)	45,093,278	131,292,795	86,199,517
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Net Assets	105,050,478	(603,684)	104,446,794	47,811,471	(56,635,323)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	105,050,478	(603,684)	104,446,794	47,811,471	(56,635,323)
Total Net Assets	105,050,478	(603,684)	104,446,794	47,811,471	(56,635,323)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Investment revenue	2,040,000	-	2,040,000	2,040,000	2,518,866	478,866	123%	123%
Transfers recognised - operational	262,738,000	452	262,738,452	262,738,452	258,610,416	(4,128,036)	98%	98%
Other own revenue	94,988,000	2,086,699	97,074,699	97,074,699	83,017,498	(14,057,201)	86%	87%
Total revenue (excluding capital transfers and contributions)	359,766,000	2,087,151	361,853,151	361,853,151	344,146,780	(17,706,371)	95%	96%
Employee costs	(210,039,698)	(10,235,740)	(220,275,438)	(220,275,438)	(228,998,467)	(8,723,029)	104%	109%
Remuneration of councillors	(12,698,371)	65,856	(12,632,515)	(12,632,515)	(12,431,722)	200,793	98%	98%
Debt impairment	-	-	-	-	(137,243)	(137,243)		
Depreciation and asset impairment	(26,767,200)	2,918,600	(23,848,600)	(23,848,600)	(22,294,572)	1,554,028	93%	83%
Finance charges	-	-	-	-	(503)	(503)		
Transfers and grants	(6,282,794)	905,098	(5,377,696)	(5,377,696)	(5,646,927)	(269,231)	105%	90%
Other expenditure	(103,852,943)	(9,344,649)	(113,197,592)	(113,197,592)	(119,864,113)	(6,666,521)	106%	115%
Total expenditure	(359,641,006)	(15,690,835)	(375,331,841)	(375,331,841)	(389,373,547)	(14,041,706)	104%	108%
Surplus/(Deficit) for the year	124,994	(13,603,684)	(13,478,690)	(13,478,690)	(45,226,767)	(31,748,077)	336%	(36,18)%

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital Expenditure and funds sources								
Total capital expenditure	13,616,000	(3,665,259)	9,950,741	9,950,741	9,033,475	(917,266)	91%	66%
Sources of capital funds								
Transfers recognised - capital	-	-	-	-	150,807	150,807		
Internally generated funds	13,616,000	(3,665,259)	9,950,741	9,950,741	8,882,668	(1,068,073)	89%	65%
Total sources of capital funds	13,616,000	(3,665,259)	9,950,741	9,950,741	9,033,475	(917,266)	91%	66%
Cash Flows								
Net cash from (used) operating	7,796,238	2,573,672	10,369,910	10,369,910	7,334,760	(3,035,150)	71%	94%
Net cash from (used) investing	(13,616,000)	3,665,259	(9,950,741)	(9,950,741)	(8,802,596)	1,148,145	88%	65%
Net cash from (used) financing	-	-	-	-	(43,963)	(43,963)		
Net increase/(decrease) in cash and cash equivalents	(5,819,762)	6,238,931	419,169	419,169	(1,511,799)	(1,930,968)	(361)%	26%
Cash and cash equivalents at the beginning of the year	25,013,744	(14,599,237)	10,414,507	10,414,507	10,414,507	-	100%	42%
Cash and cash equivalents at year end	19,193,982	(8,360,306)	10,833,676	10,833,676	8,902,708	1,930,968	82%	46%

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand

2016

2015 as
restated

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

GRAP 1 -	Presentation of financial statements
GRAP 2 -	Cash flow statements
GRAP 3 -	Accounting policies, changes in accounting estimates and errors
GRAP 4 -	The effects of changes in foreign exchange rates
GRAP 5 -	Borrowing costs
GRAP 6 -	Consolidated and separate financial statements
GRAP 7 -	Investments in associates
GRAP 8 -	Interest in joint ventures
GRAP 9 -	Revenue from exchange transactions
GRAP 10 -	Financial reporting in hyperinflationary economies
GRAP 11 -	Construction contracts
GRAP 12 -	Inventories
GRAP 13 -	Leases
GRAP 14 -	Events after the reporting date

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand

2016

2015 as
restated

GRAP 16 -	Investment property
GRAP 17 -	Property, plant and equipment
GRAP 19 -	Provisions, contingent liabilities and contingent assets
GRAP 20 -	Related party disclosure
GRAP 21 -	Impairment of non-cash generating assets
GRAP 23 -	Revenue from non-exchange transactions
GRAP 24 -	Presentation of budget information
GRAP 25 -	Employee Benefits
GRAP 26 -	Impairment of cash generating assets
GRAP 31 -	Intangible assets
GRAP 103 -	Heritage assets
GRAP 104 -	Financial instruments
GRAP 100 -	Discontinued operations
GRAP 27 -	Agriculture

The following GRAP statements have been approved but are not yet effective:

GRAP 18 -	Segment reporting
GRAP 105 -	Transfer of functions between entities under common control
GRAP 106 -	Transfer of functions between entities not under common control
GRAP 107 -	Mergers
GRAP 108 -	Statutory Receivables
GRAP 32 -	Service Concession Arrangements: Grantor
iGRAP 17 -	Service concession arrangements where a grantor controls a significant residual interest in an asset
Directive 11 -	Changes in measurement bases following the initial adoption of standards of GRAP

Offsets

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

Notes to the Financial Statements

Figures in Rand

2016

2015 as
restated

1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

1.3.1 Going Concern

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

1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2, 3 & 4: PPE, Intangible assets and Heritage assets useful lives estimates

Note 12: Provisions

Note 28: Contingencies

Note 10: Lease classification

Note 24: Debt Impairment

1.4 GOVERNMENT GRANT

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

1.5 PROPERTY, PLANT & EQUIPMENT

1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

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

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The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is available for use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

1.5.2 De-recognition, Sale & Disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Community Assets	Years
Community halls	30
Recreation facilities	20 – 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	2 – 15
Security measures	3 – 10
Buildings	30
IT equipment	3 – 5
Office equipment	3 – 7
Specialised vehicles	10

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The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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1.7 IMPAIRMENT OF FINANCIAL ASSETS

Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit is less than its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

A financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

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

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

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Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.9 FINANCIAL INSTRUMENTS

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

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

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

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

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

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity'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 entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

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A financial asset is:

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

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 entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non derivative financial assets or non derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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- 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.

1.10 INVENTORIES

Inventories are initially measured at cost, where cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 PROVISIONS AND CONTINGENCIES

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

Where the effect of the 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 used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

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1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that 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.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be 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.

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Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principle has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

Sale of Goods

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

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

1.14.2 Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.14.4 Other

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

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

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1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.19 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as

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they are not under common control, except where there exist a service level agreement to perform a specific function on behalf of the other municipality.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

1.22 HERITAGE ASSETS

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations. The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of a purchased heritage asset comprises:

- Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.
- Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.
- Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.
- The entity derecognises heritage asset on disposal, or when no service potential are expected from its use or disposal.
- The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.23 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 01 Jul 2015 to 30 Jun 2016.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (see page 9 - 10)

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2. 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	41,907,735	(608,655)	41,299,080	41,907,735	(608,655)	41,299,080
Buildings	73,661,234	(17,793,412)	55,867,822	72,866,451	(15,443,900)	57,422,551
Furniture and fixtures	17,659,149	(14,567,065)	3,092,084	17,125,656	(13,632,609)	3,493,047
Motor vehicles	9,369,971	(7,631,622)	1,738,349	10,058,699	(8,038,186)	2,020,513
Electronic equipment	72,938,041	(47,885,768)	25,052,273	66,780,992	(36,162,398)	30,618,594
Infrastructure	73,791,814	(64,114,901)	9,676,913	73,791,814	(58,657,794)	15,134,020
Other property, plant and equipment	9,964,278	(8,123,614)	1,840,664	9,158,494	(7,648,653)	1,509,841
Specialised vehicles	699,972	(273,204)	426,768	699,972	(242,839)	457,133
Total	299,992,194	(160,998,241)	138,993,953	292,389,813	(140,435,034)	151,954,779

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	41,299,080	-	-	-	41,299,080
Buildings	57,422,551	794,783	-	(2,349,512)	55,867,822
Furniture and fixtures	3,493,047	819,807	(40,356)	(1,180,414)	3,092,084
Motor vehicles	2,020,513	-	-	(282,164)	1,738,349
Electronic equipment	30,618,594	6,401,149	(60,364)	(11,907,106)	25,052,273
Infrastructure	15,134,020	-	-	(5,457,107)	9,676,913
Other property, plant and equipment	1,509,841	829,079	(9,497)	(488,759)	1,840,664
Specialised vehicles	457,133	-	-	(30,365)	426,768
	151,954,779	8,844,818	(110,217)	(21,695,427)	138,993,953

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	41,299,080	-	-	-	41,299,080
Buildings	59,813,377	-	-	(2,390,826)	57,422,551
Furniture and fixtures	4,239,699	764,865	(35,349)	(1,476,168)	3,493,047
Motor vehicles	2,488,057	229,045	(12,108)	(684,481)	2,020,513
Electronic equipment	29,719,629	11,951,221	(153,515)	(10,898,741)	30,618,594
Infrastructure	26,553,662	704,893	-	(12,124,535)	15,134,020
Other property, plant and equipment	1,157,928	988,319	(5,425)	(630,981)	1,509,841
Specialised vehicles	487,416	-	-	(30,283)	457,133
	165,758,848	14,638,343	(206,397)	(28,236,015)	151,954,779

Sedibeng District Municipality

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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.

3. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7,220,457	(6,265,328)	955,129	7,031,800	(5,395,532)	1,636,268

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,636,268	188,657	(869,796)	955,129

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,474,430	1,037,227	(875,389)	1,636,268

4. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1,076,880	-	1,076,880	1,076,880	-	1,076,880
Historical monuments	3,386,000	-	3,386,000	3,386,000	-	3,386,000
Total	4,462,880	-	4,462,880	4,462,880	-	4,462,880

Reconciliation of heritage assets 2016

	Opening balance	Total
Art Collections, antiquities and exhibits	1,076,880	1,076,880
Historical monuments	3,386,000	3,386,000
	4,462,880	4,462,880

Reconciliation of heritage assets 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	1,076,880	1,076,880
Historical monuments	3,386,000	3,386,000
	4,462,880	4,462,880

Sedibeng District Municipality

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	2016	2015 as restated
5. Construction of assets in progress		
Various Sports fields - Lesedi	-	5,942,682
Sebokeng cultural precinct	-	5,965,884
Sharpeville police station	561,118	561,118
Construction of Eldorado wing in zone 14	-	2,948,700
Mphatalatsane theatre upgrade	-	1,451,253
Construction community sidewalks zone 14	2,988,018	426,550
Installation of street lights Zone 14	2,191,134	1,247,495
	5,740,270	18,543,682

The Sharpeville police station transaction needs finalization from the Local Municipality before final transfer can take place which is anticipate to take place in the 2016/17 financial year.

6. Inventories

Fuel – Airport

Both AVGAS and JET A1 are sold at the Vereeniging Aerodrome

Aviation Fuel

Less: Accumulative provision for write off

755,260	747,375
(505,934)	(449,189)
<u>249,326</u>	<u>298,186</u>

7. Receivables from exchange transactions

Trade debtors	3,051,690	6,205,820
Employee cost recoverable	549,173	-
VAT on Accruals	3,615,571	3,602,696
SETA Refund	38,335	63,873
Insurance claims	114,669	88,685
Recoverable fruitless and wasteful expenditure	174,595	143,141
Bank Error	103,392	-
Local Municipalities - Agency services	11,616,241	2,536,827
HIV and AIDS Bridging Finance	536,334	45,671
EPWP Bridging Finance	-	60,745
	19,800,000	12,747,458

Trade debtors

Current (0 – 30 days)	905,735	6,059,865
31 – 60 days	-	-
61 – 90 days	2,000,000	-
>91	226,453	145,955
Less: Provision for Debt Impairment	(80,498)	-
Total Trade Debtors	3,051,690	6,205,820

Employee cost recoverable

Current (0 – 30 days)	549,173	-
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VAT on Accruals

Current (0 – 30 days)	512,034	1,904,785
>91 days	3,103,537	1,697,911
Total VAT on Accruals	3,615,571	3,602,696

SETA Refunds

Current(0-30 days)	38,335	63,873
>120 days	-	-
Total SETA Refunds	38,335	63,873

Insurance claims

Current (0-30days)	114,669	88,685
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Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

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	2016	2015 as restated
Recoverable fruitless and wasteful expenditure		
Current (0 – 30 days)	174,595	143,141
Bank Error		
Current (0 – 30 days)	103,392	-
Local Municipalities Agency services		
Current (0 – 30 days)	1,526,959	856,581
31 – 60 days	1,103,826	564,768
61 – 90 days	764,391	-
91 – 120 days	716,794	-
>120 days	7,504,271	1,115,478
Total Local Municipalities Agency services	11,616,241	2,536,827
HIV & AIDS Bridging Finance		
Current (0 – 30 days)	536,334	45,671
EPWP Bridging Finance		
Current (0 – 30 days)	-	60,745

8. VAT receivable

VAT	-	2,452,906
Council is registered on the cash basis for VAT, This amount is due from SARS based on submitted returns		

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42,325	42,325
Cash book balances	8,614,156	10,136,661
Investment deposits	246,227	235,521
	8,902,708	10,414,507

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2016	30 June, 2015	30 June, 2013	30 June, 2016	30 June, 2015	30 June, 2013
ABSA BANK - Previous Primary Account	949,950	283,245	1,243,172	944,694	283,245	1,198,396
ABSA BANK - Licensing Function	501,621	727,895	6,188,257	501,621	727,895	6,188,257
STANDARD BANK - Primary Account	1,481,914	2,562,246	1,230,793	1,472,194	2,501,900	1,230,793
STANDARD BANK - Licensing Account	5,695,647	6,623,621	6,089,527	5,695,647	6,623,621	6,089,527
Total	8,629,132	10,197,007	14,751,749	8,614,156	10,136,661	14,706,973

10. Finance lease obligation

Minimum lease payments due

- within one year	-	43,460
- in second to fifth year inclusive	-	-
	-	43,460

Sedibeng District Municipality

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	2016	2015 as restated
less: future finance charges	-	-
Present value of minimum lease payments	-	43,460

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

The average lease term was 3 years and the average effective borrowing rate was 9% (2015: 9%).

Interest rates are at the contract date.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial Grants	16,407,460	14,034,791
National Grants	35,887	4,656,809
DLG Grants	206,460	1,280,579
	16,649,807	19,972,179

Movement during the year

Balance at the beginning of the year	19,972,179	14,667,519
Additions during the year	15,198,411	26,243,681
Income recognition during the year	(13,879,783)	(20,939,021)
Grant Reversal / forfeit	(4,641,000)	-
	16,649,807	19,972,179

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

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

See note 19 for reconciliation of grants from National/Provincial Government.

12. Provisions

Reconciliation of provisions – 2016

	Opening Balance	Utilised during the year	Reverse during the year	Total
Performance Bonus	187,610	(182,597)	(5,013)	-

Reconciliation of provisions – 2015

	Opening Balance	Utilised during the year	Reverse during the year	Total
Performance Bonus	1,245,029	(1,057,419)	-	187,610

13. Payables from exchange transactions

	2016	2015 as restated
Trade payables	9,410,053	7,714,535
Accrued leave pay	17,376,194	15,856,635
Department of Transport (License fees)	42,853,303	17,681,655
Local Municipalities Accounts	17,535,182	8,271,776
Retention on Capital Projects	437,665	807,954
Insurance Claims	175,961	175,961
Mayoral Event	98,800	98,800

Sedibeng District Municipality

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	2016	2015 as restated
Ambulance fees in advance	84,445	84,445
Refundable town hall rental deposits	175,476	127,046
Unclaimed Salaries	-	49,896
Salaries in arrears	124,193	69,382
Unknown deposits	-	254,737
Deferred Asset Transfer to Locals	5,740,270	18,543,682
Department of Transport (Arrears)	19,095,958	19,095,958
VAT on Debtors	1,386,586	316,872
	114,494,086	89,149,334

14. VAT payable

Tax refunds payables	148,902	-
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15. Revenue

Sale of goods	2,481,633	2,416,400
Rental of facilities and equipment	8,215,161	8,927,595
Agency services	7,176,292	6,613,396
Licenses and permits	61,390,138	56,875,639
Other income	3,633,612	26,827,560
Interest received - investment	2,518,866	2,813,797
Government grants & subsidies	258,610,416	260,478,021
	344,026,118	364,952,408

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	2,481,633	2,416,400
Rental of facilities and equipment	8,215,161	8,927,595
Agency services	7,176,292	6,613,396
Licenses and permits	61,390,138	56,875,639
Other income	3,633,612	26,827,560
Interest received - investment	2,518,866	2,813,797
	85,415,702	104,474,387

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	258,610,416	260,478,021
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16. Other income

Communication Centre fees recovered	329,700	744,484
Ad-hoc Income	2,693,652	25,355,270
Skills Levy Income	383,472	352,551
Tender Income	53,136	167,458
Commission on Salaries	173,652	175,349
Telephone Cost recovered	-	32,448
	3,633,612	26,827,560

17. Investment revenue

Interest revenue

Bank	2,518,866	2,813,797
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Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2016

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	2016	2015 as restated
18. Grants and subsidies paid		
Other subsidies		
Grants paid to Local Municipalities	5,646,927	9,907,635
19. Government grants and subsidies received		
Operating grants		
Equitable share	245,760,000	239,539,000
Support Grants	12,850,416	20,939,021
	258,610,416	260,478,021

Equitable Share

Current-year receipts	(245,760,000)	(239,539,000)
Conditions met - transferred to revenue	245,760,000	239,539,000
	-	-

Provincial Grants

Balance unspent at beginning of year	14,034,791	1,197,243
Current-year receipts	13,018,411	22,694,681
Conditions met - transferred to revenue	(10,645,742)	(9,857,133)
	16,407,460	14,034,791

Conditions still to be met - remain liabilities (see note 11).

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2015	Grants Received 2015/16	Grants Spent 2015/16	Unspent Grants June 2016
LED Project	266,747			266,747
HIV/AIDS	0.00	7,119,959	(7,119,959)	-
Impl Tourism Inst Framework	5,198	-	(5,198)	-
Establishment of Shared Services	350,000	-	-	350,000
Agriculture	-	2,818,452	-	2,818,452
Transfer of Informal Settlements	13,132,800	-	(160,539)	12,972,261
LOTTO – Sport	87,319		(87,319)	-
EPWP Grant	-	1,000,000	(1,000,000)	-
Craft Hub Establishment	153,999	-	(153,999)	-
Rural Roads	-	2,080,000	(2,080,000)	-
Tourism Birding Route	38,728	-	(38,728)	-
	14,034,791	13,018,411	(10,645,742)	16,407,460

National Grants

Balance unspent at beginning of year	2016	2015 as restated
	4,656,809	12,189,697

Sedibeng District Municipality

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	2016	2015 as restated
Current-year receipts	2180,000	3,549,000
Conditions met - transferred to revenue	(2,159,922)	(11,081,888)
Grant Reversal / Forfeit	(4,641,000)	-
	35,887	4,656,809

Conditions still to be met - remain liabilities (see note 11).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2015	Grants Received 2015/16	Grants Spent/Forfeit 2015/16	Unspent Grants June 2016
Urban Environmental Management Program (DANIDA)	10,615		(10,615)	-
Municipal Improvement Systems Grant	4,978	930,000	(911,413)	23,565
Municipal Finance Management Grant	-	1,250,000	(1,237,678)	12,322
NDPG Project	4,641,216	-	(4,641,216)	-
	4,656,809	2,180,000	(6,800,922)	35,887

DLG Grants

	2016	2015 as restated
Balance unspent at beginning of year	1,280,579	1,280,579
Conditions met - transferred to revenue	(1,074,119)	-
	206,460	1,280,579

Conditions still to be met - remain liabilities (see note 11).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2015	Grants Received 2015/16	Grants Spent 2015/16	Unspent Grants June 2016
Sharpeville Public Library	462,406		(255,946)	206,460
Environmental	121,474		(121,474)	-
Construction Of Tea-Tea Road	627,899		(627,899)	-
Tourism Awards	68,800		(68,800)	-
	1,280,579		(1,074,119)	206,460

Changes in level of government grants.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. Employee related costs

Employee related cost exclusive of Section 57 employees	141,161,883	127,935,019
Medical aid - company contributions	13,110,035	12,027,739
UIF	990,939	980,046
WCA	1,193,409	1,186,855
SDL	1,935,788	1,762,756
Other payroll levies	2,459,959	2,308,001

Sedibeng District Municipality

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	2016	2015 as restated
Leave pay provision charge	4,747,646	3,340,027
Defined contribution plans	26,724,288	25,476,252
Overtime payments	6,213,343	4,512,410
13th Cheques	10,115,537	9,696,703
Car allowance	9,151,352	9,166,471
Housing benefits and allowances	1,334,227	890,200
Telephone Allowances	4,300	84
Standby Allowance	663,987	658,506
	219,806,693	199,941,069

Remuneration of Municipal Manager

Annual Remuneration	1,295,441	1,214,670
Car Allowance	119,784	119,784
Performance Bonuses	-	233,320
Contributions to UIF, Medical and Pension Funds	104,339	109,977
Other	291,414	-
	1,810,978	1,677,751

Remuneration of Chief Financial Officer

Annual Remuneration	833,541	785,171
Car Allowance	144,000	144,000
Performance Bonuses	-	198,235
Contributions to UIF, Medical and Pension Funds	220,815	209,715
Other	4,800	4,800
	1,203,156	1,341,921

Remuneration of Executive Directors

Annual Remuneration	3,696,119	3,438,325
Car Allowance	532,357	532,357
Performance Bonuses	-	424,300
Contributions to UIF, Medical and Pension Funds	562,298	520,373
Other	20,472	28,419
	4,811,246	4,943,774

Remuneration of Chief Operating Officer

Annual Remuneration	1,304,247	1,215,783
Performance Bonuses	-	170,914
Contributions to UIF, Medical and Pension Funds	62,147	59,157
	1,366,394	1,445,854
Total personnel cost	228,998,467	209,350,369

21. Remuneration of councillors

Executive Major	878,479	798,378
Mayoral Committee Members	5,457,449	5,147,588
Speaker	651,303	651,233
Councillors	3,973,570	3,488,978
Councillors' pension contribution	1,069,386	980,957
Housing Allowance	-	38,246
Telephone Allowance	401,535	375,624
	12,431,722	11,481,004

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In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Executive Mayor and Speaker have full-time bodyguards

22. Depreciation and amortisation

Property, plant and equipment	21,424,776	27,708,248
Intangible assets	869,796	875,389
	22,294,572	28,583,637
Offset depreciation against Government grant reserve	270,651	527,767
	22,565,223	29,111,404

23. Finance costs

Finance leases	503	16,580
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24. Debt impairment

Inventory	56,745	94,454
Debtors	80,498	
	137,243	94,454

25. Contracted services

Specialist Services	17,481,018	16,684,612
Other Contractors	24,606,373	19,277,146
	42,087,391	35,961,758

Sedibeng District Municipality

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26. General expenses

Advertising	503,028	1,154,790
Assessment rates & municipal charges	5,877,896	1,503,113
Auditors remuneration	2,375,783	2,627,279
Bank charges	2,723,233	810,205
Computer expenses	1,308,378	1,320,331
Consulting and professional fees	4,526,992	5,656,097
Consumables	867,771	906,568
Entertainment	7,647	12,469
Insurance	1,188,101	2,065,042
Magazines, books and periodicals	89,823	211,643
Fuel and oil	1,243,293	1,490,302
Postage and courier	2,271	2,321
Printing and stationery	1,886,668	1,932,039
Promotions	635,068	1,177,528
Protective clothing	246,289	267,134
Royalties and license fees	5,501,319	4,925,920
Staff welfare	259,317	242,437
Subscriptions and membership fees	2,195,288	2,156,290
Telephone and fax	4,907,697	2,459,846
Training	582,067	1,925,735
Subsistence & Travel	2,030,972	1,998,284
Loss due to theft	2,644,529	-
Office refreshments	362,157	422,375
Workshops	9,373,869	13,989,259
Congresses & Meetings	184,123	187,888
Expenses from Grants	9,894,550	10,636,068
External Bursaries	463,729	636,850
Donations & Grants	729,089	334,005
Catering Expenses	762,832	874,705
	63,373,779	61,926,523

27. Cost of sales

Sale of goods

Cost of Aviation fuel	2,130,447	2,177,189
Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome.		

28. Auditors' remuneration

Fees	2,375,783	2,627,279
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29. Cash generated from operations

Deficit	(45,226,767)	(5,471,452)
Adjustments for:		
Depreciation & Amortisation	22,294,572	28,583,637
Loss / (Gain) on sale of assets and liabilities	(120,662)	(136,166)
Finance costs - Finance leases	503	16,580
Debt impairment Inventory	137,243	94,454
Movements in provisions	(187,610)	(1,057,419)
Asset Movement GGR	150,808	(6,023)
Changes in working capital:		
Inventories	48,860	84,467
Receivables from exchange transactions	(7,052,542)	(2,912,027)
Debt impairment inventory	(137,243)	(94,454)
Assets under construction	12,803,412	(8,337,474)
Payables from exchange transactions	25,344,750	(2,538,288)

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VAT	2,601,808	(2,494,954)
Unspent conditional grants and receipts	(3,322,372)	5,304,660
	7,334,760	11,035,541

30. Risk management

Financial risk management

Liquidity risk

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

Interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. 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.

Categories of Financial Instruments	2016	2015 as restated
Financial Assets		
Cash and cash equivalents	8,902,708	10,414,507
Inventories	249,326	298,186
Trade and other receivables from exchange transactions	19,800,000	12,747,458
VAT Receivable	-	2,452,906
	28,952,034	25,913,057
Financial Liabilities		
Unspent conditional grants and receipts	16,649,807	19,972,179
Provisions	-	187,610
VAT Payable	148,902	-
Finance lease obligation	-	43,460
Trade and other payables from exchange transactions	108,753,816	70,605,652
Total Liabilities	125,552,525	90,808,901

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

	2016		2015	
Floating Rate Financial Assets	Rate %	Effect on Surplus	Rate %	Effect on Surplus
Cash and cash equivalents	1%	89,027	1%	104,145
Inventories	1%	2,493	1%	2,982
Trade and other receivables from exchange transactions	1%	198,000	1%	127,475
Floating Rate Financial Liabilities				
Unspent conditional grants and receipts	1%	(166,498)	1%	(199,722)
Provisions	1%	-	1%	(1,876)
Trade and other payables from exchange transactions	1%	(1,087,538)	1%	(706,057)

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31. Commitments

31.1 Contracted capital and operating expenditure

Unspent conditional grants and receipts

Provincial Grants	16,407,460	14,034,791
National Grants	35,887	4,656,809
DLG Grants	206,460	1,280,579
	16,649,807	19,972,179

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

Capital commitments arising as a result of contractual obligation:

Fibre Optic Project	2,179,535	5,248,393
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31.2 Operating leases - as lessee (expense)

Minimum lease payments due

within one year	5,521,330	5,597,448
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Operating lease payments represent rentals payable by the municipality for certain of its office properties.

31.3 Finance leases

Minimum lease payments due

within one year	-	43,460
within two years		-

32. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

There is currently a dispute between Sedibeng District Municipality and the Gauteng Department of Transport relating to the treatment of VAT on agency services. Council may be liable for an amount of R 36,460,593.

The rates and taxes account with Emfuleni is currently under dispute where the Vereeniging Aerodrome is registered at the deeds office as one whereby rates accounts is currently being subdivided into different stands. Charge out of fees to a separate account was also done whereby certain accounts are not payable by Sedibeng District Municipality. The amount currently in dispute amounts to R 18,037,030

Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgment on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation. The wage curve agreement have not yet been implemented at the Sedibeng District Municipality as job evaluations have not yet been done and therefore it is consequently impracticable to reliably measure the obligation that might exist as a result of the wage curve agreement.

Contingent assets

Emergency Medical Services has been transferred to the Department of Health whereby unfunded expenditure related to the previous year's might be recoverable which amounts to R 13,5Million.

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The municipality had a loss due to theft whereby an amount of R2,644,528 might still be recoverable through legal processes currently ongoing. (see note 40.6 for more information)

The municipality has dismissed an employee due to absenteeism and therefore need to recover the amount paid to the employee for the period of being absent.

33. Prior year amendments

33.1 Prior period errors

A VAT review has resulted in a refund received during the year which relate to prior periods. The amount recovered amounts to R715,177 while interest accrued in the prior year of R113,451 was not taken into consideration.

SALGA fees for task system workshop was not provided for in the prior year resulting in creditors understated with R36,000

33.2 Change in accounting policy (Adjustments)

None

The correction of the error(s) and change in accounting policy results in adjustments are as follow:

Statement of changes in net assets

Opening Balance 1 July 2014	92,365,454
SARS (Vat Review)	715,177
Creditors understated (SALGA workshop)	(36,000)
Restated Closing balance 1 July 2015	93,044,631
Surplus (Deficit) for the year 2015	(6,015,362)
Expenditure (VAT Review)	464,479
Revenue (VAT review)	1,980
Interest Accrual	113,451
Contracted services (Creditor understated)	(36,000)
Restated Surplus (deficit) for the year 2015	(5,471,452)

34. Going concern

We draw attention to the fact that at 30 June, 2016, the municipality had accumulated surplus of R 47,811,471 and that the municipality's total assets exceed its liabilities by R 47,811,471.

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

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 6 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 6 years were reduced far lessor than the CPI for each financial period. In addition salary increases for the South African Local Bargaining Council was implementing salary increases more than the equitable share growth allocated to municipalities over the last 6 years – UNCONTROLABLE to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 5 years which is still in place (HR dashboard-attrition, leave management, etc and financial snapshot position of municipality performed monthly. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations based on the grants received. The grants has been ring-fenced and are adequately apportioned for its main purpose. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

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We draw further attention to the fact that at 30 June, 2016, the municipality's current liabilities exceed its current assets with R96,600,491. In addition the anticipated unfunded mandate of R13,5 million for Emergency Medical services rendered to the Provincial Department of Health is still owed to Sedibeng District Municipality which is currently been shown as a contingent asset.

The municipality also had operating loss in the current financial year of R45,226,767 (previous financial year loss of R5,471,452) which resulted in a decline in the net asset value.

The Municipality is busy with a process of aligning the current powers and functions assigned to the District and the Locals in order to regain sustainability within the District. Drastic cost saving measures will be implemented starting with a process of restructuring the organization based on the assigned powers and functions.

35. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties still need to be transferred to their rightful owner, Emfuleni Local Municipality.

36. Unauthorised expenditure

The municipality is having an operating deficit resulting from overspending on the operating budget during the financial year to the amount of R14,041,706

37. Fruitless and wasteful expenditure

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 174,595 is currently being recovered from employees related to training cost. See annual report for details on all recoveries during the year.

An amount of R45,058 was paid in addition for postponement of an event on the deliberation on powers and functions. The event had to be rescheduled in order to avoid any additional fruitless and wasteful expenses which could have resulted from the signed agreement.

An employee has received a salary while on sabbatical leave to the value of R 549,173 and has subsequently signed an acknowledgement of debt as well as a contract to repay the money due to the municipality.

Opening balance	143,141	198,985
Paid off during the year	(111,949)	(164,653)
Fruitless and wasteful expenditure identified during the year	692,576	108,809
	723,768	143,141

38. Irregular expenditure

An amount of R375 366 deemed as irregular expenditure was incurred in the current financial year based on an appointment made in deviating from the SCM legislation. The tender specifications were amended during the adjudication stage to accommodate an additional service. For all the expenditure incurred goods or services were received.

Opening balance	-	-
Paid off during the year	-	-
Irregular expenditure identified during the year	375,366	-
	375,366	-

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39. Accumulated surplus

Ring-fenced internal funds within accumulated surplus - 2016

Government Grant Reserve	Movement of ring-fenced internal funds	Total
Opening balance	1,303,898	1,303,898
Offsetting of depreciation	(270,652)	(270,652)
Capital grants used to purchase property, plant and equipment	150,807	150,807
Asset Disposal	-	-
	1,184,053	1,184,053

Ring-fenced internal funds within accumulated surplus – 2015

Government Grant Reserve	Movement of ring-fenced internal funds	Total
Opening balance	1,837,691	1,837,691
Offsetting of depreciation	(527,766)	(527,766)
Asset Disposal	(6,027)	(6,027)
	1,303,898	1,303,898

40. Additional disclosure in terms of Municipal Finance Management Act

40.1 PAYE and UIF & Skills levy

Current year subscription / fee	35,677,739	33,161,595
Amount paid - current year	(35,677,739)	(33,161,595)
	-	-

40.2 Pension and Medical Aid Deductions

Current year subscription / fee	61,193,971	57,382,370
Amount paid - current year	(61,193,971)	(57,382,370)
	-	-

40.3 VAT

VAT receivable	-	2,452,906
VAT payable	148,902	-
	148,902	2,452,906

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

40.4 Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	51	51 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	51	

40.5 Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

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Emfuleni Local Municipality	R 6,384,019
Midvaal Local Municipality	R 792,274

The Local Municipalities is rendering Municipal Health services and specialized fire services on behalf of the Sedibeng District Municipality. The expenses incurred amounts to R 17,481,018 as shown in note 25 (specialist services).

The Municipality is rendering an agency service on behalf of the Department of Transport for the performance of registering and testing authority functions (RA, DLTC and VTS functions) – see license and permit income where R61,390,138 was paid for services rendered in the 2015/16 financial year.

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 21.

Section 57 employees' (Key Management) remuneration packages are shown separately in note 20. Section 57 employees are required to enter into an annual performance contract where pre-determined objectives are linked to the integrated development Plan. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

Audit Committee members have received an allowance of R 110,000 for the year under review.

The Council is in the process of establishing a State Owned Company (SOC), "The Vaal River City Tourism Promotion Company SOC" which will operate as a municipal entity to render the local tourism function. The CIPC Commissioner has registered the entity taking effect as from 30 August 2013, however, the establishment of the entity as per section 84(2) MFMA have as yet not been concluded and operations were not undertaken in terms of sections 85 through to 104 MFMA and hence there are no further disclosures to be made in terms of section 92 MFMA for the year ended 30 June 2016.

40.6 Loss due to theft

The municipality had an incident of fraud involving a computer security breach whereby a financial transaction to the value of R3,795,121.75 was intercepted and transferred to a fraudulent bank account. A forensic investigator was appointed and a criminal case opened at the South African Police Department. An amount of R1,150,593.10 has been recovered while the remaining amount forms part of the case pending with the SAPD which is inclusive of legal action taken

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40.7 Declaration of business conducted to close family members of persons in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

1. Awards to close family members of persons in the service of the state

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure 17530	Spouse to the Director/Shareholder	R 36,600

2. Awards to persons in the service of the state

Name of person	Surname	State institution where employed	Supplier name	Expenditure (Payments) – current year (R)
Malasilo Ethel	Mashaba	Tshwane Metropolitan Municipality	TD Mashaba And Sons Cc	19 000,00
Swelindaba Michael	Qebengu	South African Police Service	Qebengu Trading Cc	23 926.31
Maria Masetheng	Kubheka	GP: Education	Bongani Makhunga Trading Enterprises Cc	78 718.87
Ellen	Adiuba Young	GP: Health	Twin Network Services And Projects (Pty) Ltd	39 998,80
Vuyokazi	Gqomo	GP: Health	Diiteleni Bricks And Trading Cc	28 500,00
Thubuthubu Joshua Prettyboy	Phele	South African Police Service	Dirt Predators Cc	58 700,00
Puleng Margaret	Lethoba	GP: Education	Tiaco Trading Cc	12 200,00
Leroma David	Theoane	HWSETA	Molathewa Trading Cc	15 700,00
Teboho Johannes	Pitso	Transnet TFR	First For The People Trading And Projects 11cc	7 454,19
Mokhobo Elliot	Helepi	South African Post Office Li	Hepit Trading And Projects Cc	80 487.00
Piet Koos	Nightingale	South African Post Office Li	Hepit Trading And Projects Cc	80 487,00
Serame Jerome	Koeithing	Midvaal Local Municipality	Kgathallo Distributors Cc	14 550,00
Jacobeth Dikeledi Refilwe	Sibusi	GP: Education	Kgathallo Distributors Cc	14 550,00
Ntsieni Hendrick	Rammese	Transnet TFR	Sendville Enterprises (Pty) Ltd	80 000,00
Innocentia	Moroa	South African Airways	Zenzi Sechaba Construction And Projects (Pty) Ltd	185 000,00
Lungile Brenda	Mabuza	GP: Health	Antonime Trading And Projects (Pty) Ltd	17 500,00
Belinda Zandile	Sekhoto	GP: Liquor Board	B And P Legal Consulting (Pty) Ltd	55 000,00
Nelson Mgata	Maake	Department of Defence	Maake Mokone Civil Projects & Security (Pty) Ltd	27 000,00
Alex Boama	Darko	Transnet Group	Business Connexion (Pty) Ltd	529 516.59
Mathukana Givion	Mokoka	W&R SETA	Schindler Lifts (S.A.) (Pty)Ltd	117 536.42
Stephanus Hermanus	Schoeman	SASRIA Limited	Guardrisk Allied Products And Services (Pty)Ltd	3 000,00

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41. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

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

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

Applicable paragraph in SCM Policy		Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments
36(1)(a)(i)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Silver Solutions 2514	10-Jul-15	Emergency repairs of air conditioner units	Municipal Manager	Corporate Services Cluster	R 62,859.60	Emergency Request where there was insufficient time to follow processes for PRQs
36(1)(a)(iii)	acquisition of special works of art (performance artist)	Mannete Construction	13-Aug-15	Brass band -specialist gospel artists	Municipal Manager	Office of the Chief Whip	R 40,000.00	Performance Artist
36(1)(a)(iii)	acquisition of special works of art (performance artist)	TA Music Production	24-Aug-15	DJ-specialist performing artists for Women's' Month Programme	Municipal Manager	Office of the Speaker	R 42,543.86	Performance Artist
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	LS Hotel (Pty) Ltd	4-Sep-15	District-Wide IDP / Budget Lekgotla 16/9/2015	Municipal Manager	Office of the Municipal Manager	R 35,000.00	The user dept sourced their own quotes with the approval of the MM and indicated that this was the only venue suitable for their purposes which met the appropriate security requirements. SCM were not given a directive to initiate requests for formal written quotes 7-day notice.

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Applicable paragraph in SCM Policy		Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Messrs Vision Active	28-Sep-15	Institutional Diagnostics Project for the entire municipality	Municipal Manager	Corporate Services Cluster	R 649,800.00	Single sourcing. Service provider was appointed based on extension on previous work conducted by the service provider for the organisation. The user department sourced their own quote directly from the service provider and no processes for competitive bid were followed (as prescribed by the amount of the award).
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Vaalnest (Pty) Ltd	14-Oct-15	MPAC strategic session	Municipal Manager	Office of the Speaker	R 49,678.00	The user dept sourced their own quotes with the approval of the MM and indicated that this was the only venue suitable for their purposes which was not fully booked. SCM were not given a directive to initiate requests for formal written quotes 7-day notice.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Shakespeare inn	1-Dec-15	Meeting with stakeholders	Municipal Manager	Office of the Executive Mayor	R 72,963.50	Preferred venue based on proximity to local stakeholders
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Tiflins Trading Enterprise	4-Dec-15	Procurement of office furniture for the new Executive Mayor	Municipal Manager	Office of the Executive Mayor	R 152,560.40	PRQs process was followed as there was insufficient time to follow Regulation 18 RFQ process

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Applicable paragraph in SCM Policy		Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Majestic Fresh Produce and Market	7-Dec-15	Donation of vegetables for the Funeral of late Councillor Theresa Ramashomola	Municipal Manager	Corporate Services Cluster	R 12,285.00	Single Sourcing where there was insufficient time to follow processes for PRQs
36(1)(a)(iii)	acquisition of special works of art (performance artist)	Global Events	7-Jan-16	Drummer-specialist artists for Mayoral Awards	Municipal Manager	Office of the Municipal Manager	R 25,564.50	Performance Artist
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Vaalnest (Pty) Ltd	21-Jan-16	MPAC strategic session 27-29/01/2016	Municipal Manager	Office of the Speaker	R 43,958.16	The user dept sourced their own quotes with the approval of the MM and indicated a requirement for overnight accommodation. SCM were not given a directive to initiate requests for formal written quotes 7-day notice.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Emerald Casino	27-Jan-16	Tender advertised bid no:8/2/1/6-2015, no responses were received for Mayoral Awards.	Municipal Manager	Office of the Municipal Manager	R 341,791.00	Tender advertised bid no:8/2/1/6-2015, no responses were received for Mayoral Awards. There was insufficient time available to re-advertise and MM approved to procure via direct negotiations
36(1)(a)(i)	Emergency procurement	Mardo Fotos Three River	29-Jan-16	Emergency: Camera malfunctioned at the Mayoral Awards event and Mardo Fotos were only service provider to respond after hours	Municipal Manager	Office of the Municipal Manager	R 21,090.00	Emergency: Camera malfunctioned at the Mayoral Awards event and Mardo Fotos were only service provider to respond after hours

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Applicable paragraph in SCM Policy		Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Messrs Vision Activ	16-Feb-16	Institutional Diagnostics Project for the entire municipality	Municipal Manager	Corporate Services Cluster	R 250,800.00	Single sourcing. Service provider was appointed based on extension on previous work conducted by the service provider for the organisation. The user department sourced their own quote directly from the service provider and no processes for competitive bid were followed (as prescribed by the amount of the award).
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Khaprop Properties (Pty) Ltd	8-Mar-16	Powers & Functions Workshop 19/03/2016	Municipal Manager	Office of the Chief Whip	R 180,234.00	The user dept sourced their own quotes with the approval of the MM and indicated a requirement for overnight accommodation. SCM were not given a directive to initiate requests for formal written quotes 7-day notice.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Khaprop Properties (Pty) Ltd	29-Mar-16	Postponement fee for Conference dated 19 March 2016	Municipal Manager	Office of the Chief Whip	R 45,058.50	The venue was originally booked for 19th March 2016 however the Workshop was postponed and the SLA entered into by the municipality and service provider specified a postponement fee payable.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Guardian Forensic Service	29-Mar-16	Approval to appoint Specialist forensic investigations consultancy Service.	Municipal Manager	Office of the Municipal Manager	R 106,590.00	Approval to appoint Specialist forensic investigations, according to MFM Act(56/2003) Supply Chain Regulation

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Applicable paragraph in SCM Policy	Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments	
							36(1)(a)(v) in exceptional case where it is impractical to follow the official procurement processes, and to appoint a specialist forensic investigations consultant to scrutinise the matter further.	
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Khaprop Properties (Pty) Ltd	5-May-16	Powers & Functions Conference (08/05/2016) - extension of scope of work	Municipal Manager	Office of the Chief Whip	R 23,843.00	The extension of scope of work was approved by the MM as the conference format required break-away rooms and overnight accommodation which were not included in the original scope of work.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	LS Hotel (Pty) Ltd	6-May-16	Satellite venue for SODA 2016	Municipal Manager	Office of the Municipal Manager	R 30,000.00	The original venue procured was cancelled and the Vaal Business Chamber relocated the satellite venue to Three Rivers after consultation with the MM.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Khaprop Properties (Pty) Ltd	8-Jun-16	Powers & Functions Conference (08/05/2016) - overtime and evening conferencing fees	Municipal Manager	Office of the Chief Whip	R 37,734.00	The proceedings of the conference ran into the evening, incurring additional costs for evening conferencing facilities.
36(1)(a)(v)	Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Bon Hotel Riviera on Vaal	20-Jun-16	Strategic Session	Municipal Manager	Office of the Municipal Manager	R 48,600.00	Due to short notice of need for session, insufficient time was available to apply SCM Reg 17 formal written quotes 7-day notice. The user dept sourced own venue based on their

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Applicable paragraph in SCM Policy	Name of Supplier	Transaction Date	Reason for deviation	Approved by	Cluster	Amount	SCM Comments
							requirements.
TOTAL FOR 2015 / 2016						R 2,272,953.52	

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42. Budget differences

Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2016

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	2,214,470	2,481,633	(267,163)	(10.8%)	More fuel sold than budget due to demand of fuel at the Vereeniging Aerodrome
Rental of facilities and equipment	9,308,199	8,215,161	1,093,038	13.3%	Based on economy the fresh produce market budget revenue could not realize
Income from agency services	6,428,340	7,176,292	(747,952)	(10.4%)	More revenue based on additional needs identified by local municipalities
Licenses and permits	63,573,413	61,390,138	2,183,275	3.6%	
Other income - (rollup)	15,450,277	3,633,612	11,816,665	325,2%	Anticipated revenue for unfunded mandate not realized
Interest received - investment	2,040,000	2,518,866	(478,866)	(19.0)%	Interest higher than anticipated based on investments made
Total revenue from exchange transactions	99,014,699	85,415,702	13,598,997	15.92%	
Taxation revenue					
Government grants & subsidies	262,738,452	258,610,416	4,128,036	1.6%	
Total revenue	361,753,151	344,026,118	17,727,033	5.2%	

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Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2016

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenditure					
Personnel	(220,275,438)	(228,998,467)	(8,723,029)	(3,8%)	
Remuneration of councillors	(12,632,515)	(12,431,722)	200,793	1.6%	
Depreciation and amortisation	(23,848,600)	(22,294,572)	1,554,028	7.0%	
Finance costs	-	(503)	(503)	(100%)	No budget provision made
Lease rentals on operating lease	(6,562,850)	(6,438,176)	124,674	1.94%	
Debt impairment		(137,243)	(137,243)	(100%)	No budget provision made
Public Participation	(367,200)	(360,868)	6,332	1.75%	
Repairs and maintenance	(5,054,494)	(5,473,452)	(418,958)	(7.7%)	
Contracted Services	(42,686,517)	(42,087,391)	599,126	1.4%	
Transfers and Subsidies	(5,377,696)	(5,646,927)	(269,231)	(4.8%)	
Sale of goods/Inventory	(2,000,000)	(2,130,447)	(130,447)	(6.12%)	
General Expenses	(56,526,931)	(63,373,779)	(6,847,248)	(10.80%)	A loss due to theft has occurred during the year resulting in an unforeseen expense.
Total expenditure	(375,331,841)	(389,373,547)	(14,041,706)	(3.1%)	
Operating deficit	(13,578,690)	(45,347,429)	(31,768,739)		
Gain on disposal of assets and liabilities	100,000	120,662	20,662	17.12%	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(13,478,690)	(45,226,767)	(31,748,077)	(70.2%)	