Lephalale Local Municipality
Financial statements
for the year ended June 30, 2016
Auditor General of South Africa

General Information

Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Hon. MJ Maeko
	Cllr. MR Boloka (Speaker)
	Cllr. KR Molokomme (Chief Whip)
	Cllr. AE Basson (Executive Comm)
	Cllr. RM Moatshe (Executive Comm)
	Cllr. WM Motlokwa (Executive Comm)
Councillors	Cllr. MJ Marakalala
	Cllr. ML Shongwe
	Cllr. ME Maisela
	Cllr.MJ Selokela
	Cllr. F Magwai
	Cllr. ME Dinale
	Cllr. NJ Motebele
	Cllr. MP Ngwako
	Cllr. SJ Monyemoratho
	Cllr. A Thulare
	Cllr. SM Nieuwoudt
	Cllr. MJ Mojela
	Cllr. LS Manamela
	Cllr. JA Mogoasa
	Cllr. SJ Peletona
	Cllr. MC Matshaba
	Cllr. GB Koadi
	Cllr. P Molekwa
Grading of local authority	Level 4
Accounting officer	Edith Tukakgomo
Chief Finance Officer (CFO)	Sakkie Jooste (Acting)
Registered office	Corner Joe Slovo Street & Douwater Avenue Onverwacht Lephalale 0557
Business address	Corner Joe Slovo Street & Douwater Avenue Onverwacht Lephalale 0557
Postal address	Private Bag X136 Onverwacht Lephalale 0557
Bankers	ABSA Bank
Auditors	Auditor General of South Africa
Preparer	The financial statements were internally compiled by:

General Information

	Sakkie Jooste, Maggie Ntwampe, Mabu Manaka and Malesela Langa Budget and Treasury Management
Published	August 31, 2016

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
INCA	Infrastructure Finance Corporation Limited
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Extended Public Works Programme
FMG	Finance Management Grants

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 Standards 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 judgements and estimates.

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

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

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

The municipality is substantially dependent on the Goverment for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on November 30, 2016 and were signed on its behalf by:

Edith Tukakgomo
Accounting Officer

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 6 times per annum as per its approved terms of reference. During the current year six meetings were held.

Name of member	Number of meetings attended
Mphelo P (Chairperson)	6
Mbange B	6
Mogotsi I	6
Du Plessis J - Resigned April 2016	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of financial statements

The audit committee has:

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

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

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The financial affairs of the municipality are set out in the finacial statement attached.
Net deficit of the municipality was R 44,104,910 (2015: surplus R 94,486,517).

2. Going concern

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 busines

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year 30 June 2016.

4. Accounting policies

The financial statements 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.

5. Corporate governance

General

The Council retains full control over the municipality, its plans and strategy. The council acknowledges its resposibilities as to strategy, complince with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the muncipality

Remuneration

The remuneration off the Accounting Officer and section 56 managers are determined by the Upper Limits for senior managers

Audit and risk committee

Risk Commiittee

For the financial year under review Mr. Mogakulodi Sebeelo was appointed as the chairperson of the risk committee. The committee comprises of the:The Chairperson and all Section 56 Managers.

Audit committee

Mr. J Du Plessis was the chairperson of the audit committee and resigned in April 2016, then Mrs. P Mphelo was appointed as the Chairperson in June 2016.

In terms of Section 166 of the Municipal Finance Management Act, Council must appoint members of the Audit Committee. National Treasury policy requires that the municipalities should appoint further members of the municipality’s audit committee who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has an indipendent internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

6. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

Accounting Officer's Report

7. Auditors

The Municipality is audited by Auditor General of South Africa

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	10	1,850,764	2,019,133
Consumer debtors from exchange transactions	11	116,912,671	121,373,428
Debt Arrangements - Short Term Portion	7	18,735,731	4,139,560
Sundry Deposits	8	11,542,976	11,542,976
Other receivable from non-exchange transactions	9	4,113,719	2,362,887
Cash and cash equivalents	12	33,479,422	59,763,191
		186,635,283	**201,201,175**
Non-Current Assets			
Property, plant and equipment	3	1,231,728,686	1,230,001,746
Intangible assets	4	621,571	488,220
Heritage assets	5	77,000	77,000
Investments	6	20,824	22,887
Debt Arrangements	7	796,500	431,839
		1,233,244,581	**1,231,021,692**
Total Assets		**1,419,879,864**	**1,432,222,867**
Liabilities			
Current Liabilities			
Loans	16	403,678	688,743
Finance lease Liability	14	10,928,008	12,353,306
Payables from exchange transactions	18	57,117,963	46,429,792
VAT payable	19	3,423,522	7,376,654
Consumer deposits	20	11,978,570	10,851,957
Unspent conditional grants and receipts	15	28,516,920	3,152,642
Defined Benefits Plan Obligations	17	7,669,340	2,021,974
		120,038,001	**82,875,068**
Non-Current Liabilities			
Loans	16	3,496,866	3,908,898
Finance lease Liability	14	82,875,187	91,048,312
Defined Benefits Plan Obligations	17	45,966,739	42,782,627
		132,338,792	**137,739,837**
Total Liabilities		**252,376,793**	**220,614,905**
Net Assets		**1,167,503,071**	**1,211,607,962**
Accumulated surplus	13	1,167,503,071	1,211,607,962

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	213,236,697	183,959,013
Rental of facilities and equipment	36	221,070	194,510
Interest Earned - Outstanding Receivables		16,343,065	19,504,714
Licences and permits		7,472,066	6,204,071
Building fees		558,017	589,706
Other income		1,870,108	2,275,511
Interest Earned - External investments	31	3,630,755	5,505,566
Total revenue from exchange transactions		**243,331,778**	**218,233,091**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	46,594,873	44,151,600
Transfer revenue			
Government Grants and Subsidies	24	168,208,098	136,524,164
Public contributions and donations	25	150,793	215,542
Fines		882,441	344,354
Total revenue from non-exchange transactions		**215,836,205**	**181,235,660**
Total revenue	21	**459,167,983**	**399,468,751**
Expenditure			
Employee related costs	28	(149,879,218)	(127,367,987)
Remuneration of councillors	29	(8,143,769)	(8,149,644)
Depreciation and amortisation	32	(69,604,180)	(65,265,603)
Impairment loss/ Reversal of impairments	33	(5,850,254)	(9,305,964)
Finance costs	35	(16,868,199)	(16,891,895)
Debt Impairment	30	(9,396,911)	(3,243,897)
Collection costs		(6,174,190)	(7,440,891)
Repairs and maintenance		(21,466,624)	(20,078,993)
Bulk purchases	39	(128,171,993)	(102,993,293)
Contracted services	37	(24,556,033)	(14,648,250)
Transfers and Subsidies	38	(1,774,162)	(1,474,123)
General Expenses	27	(61,385,297)	(47,425,418)
Total expenditure		**(503,270,830)**	**(424,285,958)**
Operating deficit		**(44,102,847)**	**(24,817,207)**
(Loss) gain on Sale of assets	34	(2,063)	119,303,724
(Deficit) surplus for the year		**(44,104,910)**	**94,486,517**

* See Note 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,108,047,130	1,108,047,130
Adjustments		
Correction of errors	9,074,315	9,074,315
Balance at July 01, 2014 as restated*	**1,117,121,445**	**1,117,121,445**
Changes in net assets		
Surplus for the year	94,486,517	94,486,517
Total changes	94,486,517	94,486,517
Restated* Balance at July 01, 2015	**1,211,607,981**	**1,211,607,981**
Changes in net assets		
Deficit for the year	(44,104,910)	(44,104,910)
Total changes	(44,104,910)	(44,104,910)
Balance at June 30, 2016	**1,167,503,071**	**1,167,503,071**

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		46,083,506	44,100,292
Sale of goods and services		215,348,903	183,099,546
Grants		193,572,377	136,906,933
Interest income		3,630,755	5,505,566
Other receipts		1,870,108	215,543
		460,505,649	369,827,880
Payments			
Employee costs		(148,472,960)	(122,663,835)
Suppliers		(233,724,113)	(198,903,216)
Finance costs		(16,868,199)	(16,891,895)
Other payments		(1,774,162)	(1,474,123)
		(400,839,434)	(339,933,069)
Net cash flows from operating activities	40	**59,666,215**	**29,894,811**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(75,373,964)	(47,128,225)
Purchase of Intangible assets	4	(280,500)	-
Net cash flows from investing activities		**(75,654,464)**	**(47,128,225)**
Cash flows from financing activities			
Finance lease payments		(9,598,423)	(1,680,987)
Repayments of long term loans		(697,097)	(923,772)
Net cash flows from financing activities		**(10,295,520)**	**(2,604,759)**
Net increase/(decrease) in cash and cash equivalents		**(26,283,769)**	**(20,039,058)**
Cash and cash equivalents at the beginning of the year		59,763,191	79,802,249
Cash and cash equivalents at the end of the year	12	**33,479,422**	**59,763,191**

* See Note 44

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	190,066,000	6,698,000	**196,764,000**	212,318,565	**15,554,565**	
Rental of facilities and equipment	269,883	-	**269,883**	221,070	**(48,813)**	
Interest received (trading)	19,878,226	-	**19,878,226**	16,343,065	**(3,535,161)**	
Licences and permits	8,259,598	-	**8,259,598**	7,472,066	**(787,532)**	
Building Fees	750,000	-	**750,000**	558,017	**(191,983)**	
Other income	14,150,000	2,357,000	**16,507,000**	15,596,246	**(910,754)**	
Interest received - investment	7,782,752	(4,267,630)	**3,515,122**	3,630,755	**115,633**	
Total revenue from exchange transactions	**241,156,459**	**4,787,370**	**245,943,829**	**256,139,784**	**10,195,955**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	48,380,589	(414,589)	**47,966,000**	46,592,810	**(1,373,190)**	
Transfer revenue						
Government grants & subsidies	154,874,000	7,660,000	**162,534,000**	155,400,094	**(7,133,906)**	
Public contributions and donations	500,000	-	**500,000**	150,793	**(349,207)**	
Fines, Penalties and Forfeits	363,811	(17,000)	**346,811**	882,441	**535,630**	
Total revenue from non-exchange transactions	**204,118,400**	**7,228,411**	**211,346,811**	**203,026,138**	**(8,320,673)**	
Total revenue	**445,274,859**	**12,015,781**	**457,290,640**	**459,165,922**	**1,875,282**	
Expenditure						
Personnel	(148,331,000)	(658,000)	**(148,989,000)**	(147,322,339)	**1,666,661**	
Remuneration of councillors	(7,583,987)	(594,000)	**(8,177,987)**	(8,143,769)	**34,218**	
Depreciation and amortisation	(60,158,230)	(8,500,655)	**(68,658,885)**	(69,604,180)	**(945,295)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(5,850,254)	**(5,850,254)**	
Finance costs	(11,590,976)	-	**(11,590,976)**	(16,868,199)	**(5,277,223)**	
Bad debts written off	(1,650,000)	(1,850,000)	**(3,500,000)**	(9,396,911)	**(5,896,911)**	
Collection costs	(5,220,000)	(80,000)	**(5,300,000)**	(6,174,190)	**(874,190)**	
Repairs and maintenance	(22,807,000)	(1,065,000)	**(23,872,000)**	(21,466,624)	**2,405,376**	
Bulk purchases	(111,891,663)	(2,000,000)	**(113,891,663)**	(128,171,993)	**(14,280,330)**	
Contracted Services	(18,487,000)	7,270,000	**(11,217,000)**	(15,881,477)	**(4,664,477)**	
Transfers and Subsidies	(1,234,000)	-	**(1,234,000)**	(1,774,162)	**(540,162)**	
General Expenses	(48,446,880)	(10,163,235)	**(58,610,115)**	(72,616,726)	**(14,006,611)**	
Total expenditure	**(437,400,736)**	**(17,640,890)**	**(455,041,626)**	**(503,270,824)**	**(48,229,198)**	
Operating deficit	**7,874,123**	**(5,625,109)**	**2,249,014**	**(44,104,902)**	**(46,353,916)**	
(Loss) gain on sale of assets	-	-	**-**	(2,063)	**(2,063)**	
Deficit before taxation	**7,874,123**	**(5,625,109)**	**2,249,014**	**(44,106,965)**	**(46,355,979)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7,874,123**	**(5,625,109)**	**2,249,014**	**(44,106,965)**	**(46,355,979)**	

The accounting policies on pages 15 to 41 and the notes on pages 42 to 66 form an integral part of the financial statements.

Accounting Policies

1. Presentation of Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period, unless explicitly stated.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Available-for-sale financial assets

The municipality follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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

Provisions

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property plant and equipment and other assets.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

Provision for employee benefits

Provision is made in the finacial statement for all employee benefits. Liabilities for wages and salaries, including non-monetary benefits, bonuses and annual leave obliged to be settled within 12 months of the reporting date, are recognized in other payables or provision for employee benefits in respect of employees'services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. liabilities for non accumulating sick leave are recognized when the leave is taken and measured at the rate paid or payable.

The liability for long services for which settlement can be deferred beyond 12 monhs from the reporting date is recognized in the non - current liabillity for employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up o the reporting date. consideration is given to the expected future wage and salary levels, experience of employee departures and period of services. expected future payments are discounted using market yields at the reporting date on national government bonds with terms of matuaruty and currency that matches as possible, the estimated cash outflow.

Pension and other post - retirement benefits provision for employee benefits

The municipality provides retirement benefits for its employees and councillors. The municipality has accounted for the defined contribution plan in terms of GRAP 25 Employee benefits. A defined contribution plan is a pension plan under which the muncipaliy pays fixed contribution into a separate entity.

For defined contribution plans, the muncipality pays contributions on manadatory, contractual or voluntary basis. The municipality recognizes the contributions to the scheme as an expense when the employees and councillors have rendered the employment services or served office entitling them to contributions.

The municipality provides post - retirement medical benefits to qualifying retirees. They are recognized in accordance with GRAP 25 on defined benefits plan.

The cost of providing health care is charged to the income statement so as to recognize current and past services cost on defined benefits obligations and the effect of any curtailments, net of expected returns on plan assets. Actuarial gains and losses are recognized in full directly in the statement of financial performance. Additional benefits are expensed as past services cost in the period in which the benefits is granted to the extended that is not covered by a surplus to contribution funded by the muncipality. The muncipality has no plan assets. A liability is consequently recognized in the statement of financial position based on the present value of the defined benefits obligations less any unrecognized past srvices costs. Additional information is disclosed in Note .

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	**Average useful life (in years)**
Land	Indefinite
Buildings	25 - 30
• Mobile Homes	05 - 10
• Caravans	05 - 10
• Residence	25 - 30
Furniture and fixtures	05 - 08
Motor vehicles	05 - 08
Office equipment	03 - 05
Computer software	05 - 08
Community	
• Building	25 - 30
• Recreational Facility	25 - 30
• Halls	25 - 30
Other Buildings	
• Library	25 - 30
Security	05 - 08
Bins and containers	05 - 08
Other property, plant and equipment	10 - 15
Park facilities	25 - 30
Vehicles	
• Specialised	10 - 15
Plant and equipment	
• Secialised	10 - 15
Roads	
• Kerb and channels	40 - 50
• Municipal roads - Asphalt	10 - 20
• Gravel surface	03 - 10
Wastewater network	
• Pumpstations	30 - 55
Water network	
• Pumpstations	30 - 50
• Reservoirs	30 - 30
• Supply/Reticulation	20 - 50

Accounting Policies

1.4 Property, plant and equipment (continued)

Electricity	
• Lines -Underground	25 - 45
• Lines - Overhead	20 - 30
• Substations - Switchgear	20 - 30
Pedistrian Footpaths	
• Footpaths	15 - 30
• Street lighting	25 - 40
• Traffic lights	15 - 20

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

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

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

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

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

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

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5-8 years

1.6 Heritage assets

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

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

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

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

1.6 Heritage assets (continued)

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

1.7 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Accounting Policies

1.7 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.8 Value Added Tax

Value Added Tax

The Municipality accounts for VAT on a payment basis as per Sec 15 of the VAT Act. Even though the Municipality has registered for VAT on payment basis to SARS, the annual financial statements have been prepared on an accrual basis of accounting and as a result VAT is accounted for on accrual basis in the annual financial statements.

1.9 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease (prime interest rate where the lease is not specific).

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

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

1.10 Inventories

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

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

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

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

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

Accounting Policies

1.10 Inventories (continued)

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Value in use

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

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

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Accumulated Surplus

Accumulated of surplus comprise the balance of accumulated surpluses or deficits at the begging of the period, the surplus or deficit for the period and the effects of the changes in accounting policies and correction of prior period errors recognised in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

1.14 Employee benefits (continued)

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

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an Municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an Municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The Municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.15 Provisions and contingencies (continued)

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

1.16 Commitments

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

At the end of each financial year the municipality determines the completion stage of each contract awarded and not completed. The difference between the contractual amount and what has been paid is disclosed as commitments in the notes to the annual financial statement.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

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

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

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

The municipality has two types of fines: spot fines and summonses. Revenue from spot fines and summones is initially recognized when the event that gives rise to enforceable claim occurs and reliable measure of the receivables can be made. Receivable from Fines and summons are subsequently measured using the historical trend of collection at the end of reporting period.
Revenue for fines is recognised when the fines is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect. Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arears. Such an assessment is not be made at the time of initial recognition.

1.18 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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

Accounting Policies

1.20 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10, 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

1.21 Comparative figures

Where necessary, comparative figures have been restated/reclassified to take into account the prior period errors identified in the current year.

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

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

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

1.25 Budget information

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

Accounting Policies

1.25 Budget information (continued)

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

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

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

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

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.

1.26 Related parties

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

Individuals as well as their close family members, and or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Managemnt is regarded as a related party and comprises of the Councillors, Mayor, Executive Committee Members.

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

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Figures in Rand	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	April 01, 2015	The impact of the amendment is set out in note 2 changes in accounting policy
• GRAP 106: Transfers of functions between entities not under common control	April 01, 2015	The impact of the amendment is set out in note 2 changes in accounting policy
• GRAP 107: Mergers	April 01, 2015	
• IGRAP 11: Consolidation – Special purpose entities	April 01, 2015	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 01, 2015	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 01, 2015	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 01, 2015	

2.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 17 (as revised 2012): Property, Plant and Equipment	April 01, 2016	The impact of the amendment is not material.
• IGRAP16: Intangible assets website costs	April 01, 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	April 01, 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 01, 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	April 01, 2016	

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.4 Standards and interpretations not yet effective or relevant

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 01, 2017	
• GRAP 20: Related parties	April 01, 2017	

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	69,572,003	-	69,572,003	69,572,003	-	69,572,003
Buildings	25,271,507	(12,687,434)	12,584,073	25,713,177	(12,168,289)	13,544,888
Infrastructure	1,330,811,616	(438,270,479)	892,541,137	1,296,448,994	(373,077,680)	923,371,314
Community	60,743,276	(12,438,773)	48,304,503	57,478,857	(10,293,690)	47,185,167
Other property, plant and equipment	78,263,442	(37,504,231)	40,759,211	76,642,227	(31,572,508)	45,069,719
Work in progress	147,508,948	-	147,508,948	111,584,914	-	111,584,914
Other leased Assets - Smart Meters	22,238,922	(1,780,111)	20,458,811	20,578,833	(905,092)	19,673,741
Total	**1,734,409,714**	**(502,681,028)**	**1,231,728,686**	**1,658,019,005**	**(428,017,259)**	**1,230,001,746**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	69,572,003	-	-	-	-	-	69,572,00
Buildings	13,544,888	-	-	-	(887,383)	(73,432)	12,584,07
Infrastructure	923,371,314	251,800	34,110,745	-	(59,449,347)	(5,743,375)	892,541,13
Community	47,185,167	132,151	3,132,269	-	(2,125,442)	(19,642)	48,304,50
Other property, plant and equipment	45,069,719	1,822,893	-	-	(6,118,674)	(14,727)	40,759,21
Work in Progress	111,584,914	73,167,121	-	(37,243,087)	-	-	147,508,94
Other Finance leased (smart metres)	19,673,741	1,660,089	-	-	(875,019)	-	20,458,81
	1,230,001,746	**77,034,054**	**37,243,014**	**(37,243,087)**	**(69,455,865)**	**(5,851,176)**	**1,231,728,68**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	69,572,003	-	-	-	-	-	69,572,00
Buildings	14,357,373	-	-	-	(806,861)	(5,624)	13,544,88
Infrastructure	851,148,627	127,842,735	8,232,011	-	(55,358,886)	(8,493,173)	923,371,31
Community	29,318,149	9,479,342	10,560,924	-	(1,678,125)	(495,123)	47,185,16
Other property, plant and equipment	48,813,514	3,108,980	-	-	(6,540,909)	(311,866)	45,069,71
Work in progress	106,462,425	25,794,974	-	(20,672,485)	-	-	111,584,91
Other leased Assets - Smart Meters	16,341,025	4,053,553	-	-	(720,837)	-	19,673,74
	1,136,013,116	**170,279,584**	**18,792,935**	**(20,672,485)**	**(65,105,618)**	**(9,305,786)**	**1,230,001,74**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening balance	110,208,064	1,376,851	111,584,915
Additions/capital expenditure	31,683,219	4,240,887	35,924,106
	141,891,283	**5,617,738**	**147,509,021**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Total
Opening balance	106,462,425	-	106,462,425
Additions/capital expenditure	3,745,639	1,376,851	5,122,490
	110,208,064	**1,376,851**	**111,584,915**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

Figures in Rand	2016	2015

4. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,025,018	(403,447)	621,571	744,518	(256,298)	488,220

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer Software	488,220	280,500	(147,149)	621,571

Reconciliation of intangible assets - 2015

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer Software	445,626	202,759	(160,165)	488,220

5. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain	77,000	-	77,000	77,000	-	77,000

6. Investments

	2016	2015
Residual interest at cost		
Listed shares	20,824	22,887
Listed investment consist of 345 shares in Sanlam. The shares are listed on the JSE and are valued at the closing market value as at 30 June 2016		
Non-current assets		
Residual interest at cost	20,824	22,887

7. Debt Arrangements

	2016	2015
Debt Arrangements	19,532,231	4,571,399
Short-Term Portion	(18,735,731)	(4,139,560)
	796,500	**431,839**

8. Sundry Deposits

	2016	2015
Deposit paid to ESKOM	11,542,976	11,542,976

Deposits paid to Eskom for the main account.

Notes to the Financial Statements

Figures in Rand	2016	2015

9. Other receivables from non-exchange transactions

Traffic fines	1,411,565	1,407,186
Other receivables	3,463,411	1,756,799
Less Impairment - Traffic fines	(761,257)	(801,098)
	4,113,719	**2,362,887**

10. Inventories

Consumable stores	439,860	686,002
Maintenance materials	918,354	697,955
Spare parts	475,523	610,691
Water	17,027	24,485
	1,850,764	**2,019,133**

11. Consumer debtors

Gross balances		
Rates	50,078,305	49,010,706
Electricity	62,837,507	68,284,621
Water	34,935,378	31,674,778
Sewerage	19,641,108	17,171,962
Refuse	16,882,625	13,256,861
	184,374,923	**179,398,928**
Less: Allowance for impairment		
Rates	(16,256,212)	(14,982,382)
Electricity	(28,428,036)	(24,936,456)
Water	(11,074,601)	(9,292,236)
Sewerage	(6,137,537)	(5,336,002)
Refuse	(5,565,866)	(3,478,424)
	(67,462,252)	**(58,025,500)**
Net balance		
Rates	33,822,093	34,028,324
Electricity	34,409,471	43,348,165
Water	23,860,777	22,382,542
Sewerage	13,503,571	11,835,960
Refuse	11,316,759	9,778,437
	116,912,671	**121,373,428**
Included in above is receivables from exchange transactions		
Electricity	34,409,471	43,348,165
Water	23,860,777	22,382,542
Sewerage	13,503,571	11,835,960
Refuse	11,316,759	9,778,437
	83,090,578	**87,345,104**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	33,822,093	34,028,325
Net balance	**116,912,671**	**121,373,429**

Notes to the Financial Statements

Figures in Rand	2016	2015

11. Consumer debtors (continued)

Rates

Current (0 -30 days)	6,453,454	5,252,255
31 - 60 days	1,720,097	1,216,281
61 - 90 days	1,272,242	1,058,450
91 - 120 days	1,203,608	1,241,300
121 - 365 days	4,711,548	5,799,232
> 365 days	18,461,144	19,460,806
	33,822,093	**34,028,324**

Electricity

Current (0 -30 days)	14,520,408	21,213,175
31 - 60 days	5,589,952	1,226,905
61 - 90 days	3,878,214	2,082,181
91 - 120 days	6,710,841	964,628
121 - 365 days	1,407,470	6,184,460
> 365 days	2,302,586	11,676,816
	34,409,471	**43,348,165**

Water

Current (0 -30 days)	6,462,262	9,143,567
31 - 60 days	1,830,440	1,355,018
61 - 90 days	1,322,005	1,196,404
91 - 120 days	1,070,514	1,249,369
121 - 365 days	4,768,915	3,802,048
> 365 days	8,406,641	5,636,136
	23,860,777	**22,382,542**

Sewerage

Current (0 -30 days)	1,036,929	835,843
31 - 60 days	696,051	525,281
61 - 90 days	512,416	440,454
91 - 120 days	460,240	453,874
121 - 365 days	2,056,947	2,360,918
> 365 days	8,740,988	7,219,590
	13,503,571	**11,835,960**

Refuse

Current (0 -30 days)	5,965,083	361,668
31 - 60 days	287,717	405,081
61 - 90 days	150,424	369,432
91 - 120 days	262,399	394,194
121 - 365 days	1,016,339	2,551,390
> 365 days	3,634,797	5,696,672
	11,316,759	**9,778,437**

Figures in Rand	2016	2015

11. Consumer debtors (continued)

Summary of debtors by customer classification

	2016	2015
Households		
Current (0 -30 days)	28,281,556	29,751,954
31 - 60 days	10,019,068	5,047,873
61 - 90 days	7,072,667	5,130,785
91 - 120 days	9,840,859	4,459,321
121 - 365 days	20,459,706	25,191,682
> 365 days	44,694,778	45,184,557
	120,368,634	114,766,172
Less: Allowance for impairment	(51,983,613)	(44,679,635)
	68,385,021	**70,086,537**

	2016	2015
Business		
Current (0 -30 days)	5,311,044	5,065,148
31 - 60 days	2,028,036	1,187,763
61 - 90 days	2,118,079	1,662,233
91 - 120 days	1,765,071	1,402,211
121 - 365 days	7,211,111	7,557,383
> 365 days	37,679,399	38,838,976
	56,112,740	55,713,714
Less: Allowance for impairment	(15,478,639)	(13,345,865)
	40,634,101	**42,367,849**

	2016	2015
Government		
Current (0 -30 days)	845,521	1,989,410
31 - 60 days	439,962	432,571
61 - 90 days	307,863	302,691
91 - 120 days	369,674	363,465
121 - 365 days	3,682,402	3,620,547
> 365 days	2,248,120	2,210,357
	7,893,542	**8,919,041**

	2016	2015
Total		
Current (0 -30 days)	34,438,120	36,806,511
31 - 60 days	12,487,064	6,668,208
61 - 90 days	9,498,607	7,095,710
91 - 120 days	11,975,604	6,224,997
121 - 365 days	31,353,220	36,369,612
> 365 days	84,622,308	86,233,890
	184,374,923	179,398,928
Less: Allowance for impairment	(67,462,252)	(58,025,500)
	116,912,671	**121,373,428**

	2016	2015
Less: Allowance for impairment		
31 - 60 days	(2,362,808)	(2,032,294)
61 - 90 days	(2,363,307)	(2,032,723)
91 - 120 days	(2,267,993)	(1,950,741)
121 - 365 days	(2,088,504)	(1,796,360)
> 365 days	(58,379,640)	(50,213,382)
	(67,462,252)	**(58,025,500)**

Total debtor past due but not impaired

Figures in Rand	2016	2015

11. Consumer debtors (continued)

31 - 60 days	10,124,257	4,728,565
61 - 90 days	7,135,301	5,146,920
91 - 120 days	9,707,611	4,303,365
121 - 365 days	13,961,218	20,698,048
> 365 days	41,546,155	49,690,020
	82,474,542	**84,566,918**

Reconciliation of allowance for impairment

Balance at beginning of the year	(58,025,500)	(55,605,292)
Contributions to allowance	(9,436,752)	(2,420,208)
	(67,462,252)	**(58,025,500)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16,750	16,750
Short-term deposits	33,462,672	59,746,441
	33,479,422	**59,763,191**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding unspent conditional grants.

Credit rating		
Investments	36,334,802	24,208,329
Cash and cash equivalents	13,798,136	35,538,112
Cash on hand	16,750	16,750
	50,149,688	**59,763,191**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2016	**June 30, 2015**	**June 30, 2014**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
ABSA Bank Limited - Lephalale Branch - Current Account Number 1470000038	13,798,136	54,817,819	72,204,260	(2,872,130)	35,538,112	26,253,447
ABSA Bank Limited - Lephalale Branch - Call Account Number 4072894439	30,033,452	17,647,198	19,953,047	30,033,452	17,647,198	19,953,047
ABSA Bank Limited - Lephalale Branch - Call Account Number 9296917939	950	260,731	-	950	260,731	-
ABSA Bank Limited - Lephalale Branch - Fixed Deposit Account Number 2069158294	6,300,400	6,300,400	6,300,400	6,300,400	6,300,400	6,300,400
Total	**50,132,938**	**79,026,148**	**98,457,707**	**33,462,672**	**59,746,441**	**52,506,894**

13. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2016

Ring-fenced internal funds and reserves within accumulated surplus - 2015

Notes to the Financial Statements

Figures in Rand	2016	2015

14. Finance lease Liability

Minimum lease payments due		
- within one year	14,910,084	14,910,084
- in second to fifth year inclusive	74,550,420	74,550,420
- later than five years	73,307,913	88,217,997
	162,768,417	177,678,501
less: future finance charges	(76,034,040)	(87,553,016)
Present value of minimum lease payments	**86,734,377**	**90,125,485**

Present value of minimum lease payments due		
- within one year	3,859,192	3,391,109
- in second to fifth year inclusive	21,551,143	25,410,335
- later than five years	61,324,042	61,324,042
	86,734,377	**90,125,486**

Non-current liabilities	82,875,187	91,048,312
Current liabilities	10,928,008	12,353,306
	93,803,195	**103,401,618**

Finance lease payments represents capital redemption payable by the Municipality for Zeeland water treatment works. The Municipality entered into a contract with Exxaro for the construction of the plant on a loan basis which is repayable over 15 years at a fixed interest rate of 13%

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EXXARO	657,896	657,896
FMG	(1)	(1)
Municipal Infrustructure Grant	18,341,166	-
Municipal System Improvement Grant	44,546	108,779
Department of Minerals and Energy	(5,867,766)	(5,867,766)
Expanded Public Works Programme	1	1
Work Intergrated Learnerships	-	27,165
Department of water affairs	14,104,983	6,990,473
Department of local government and housing	1,207,776	1,207,776
Local Economic Development Projects	28,319	28,319
	28,516,920	**3,152,642**

Movement during the year

Balance at the beginning of the year	3,152,642	2,769,868
Additions during the year	102,467,000	46,614,616
Income recognition during the year	(77,102,722)	(46,231,842)
	28,516,920	**3,152,642**

See note 22 for reconciliation of grants from National/Provincial Government.

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

Notes to the Financial Statements

Figures in Rand	2016	2015

16. Loans

At amortised cost		
DBSA Loan	3,900,544	4,288,359
INCA Loan	-	309,282
	3,900,544	**4,597,641**
Total Loans	**3,900,544**	**4,597,641**

INCA at amortised cost.The interest rate of 10.09% was paid off during the current financial year.

DBSA at amortised cost. The interest rate of 8.83% and quartely repayment. Settlement date 30 June 2024.

Non-current liabilities		
At amortised cost	3,496,866	3,908,898
Current liabilities		
At amortised cost	403,678	688,743

17. Defined Benefits Plan Obligations

Non-current liabilities	45,966,739	42,782,627
Current liabilities	7,669,340	2,021,974
	53,636,079	**44,804,601**

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non medical - Employees retiring will receive R1 090.00 a month as a contribution to their health.

18. Payables from exchange transactions

Trade Creditors	15,679,397	12,164,382
Payments received in advanced	14,263,324	12,710,929
Retentions	11,801,573	7,174,742
Accrued leave	10,436,426	10,306,665
Accrued bonus	3,135,919	2,547,128
Other payables	1,801,324	1,525,946
	57,117,963	**46,429,792**

The fair value of trade and other payables appromimates their carrying amounts.

Annual bonuses are paid one year in arrear as the employee complete a full year service. Annual bonuses accrue on monthly basis as the employee continues in employment.

The provision for the bonus is calculated using the basic salary of the employee as at year end and the number of months the bonus accrued since last bonus payment or from employement date for new employee.

19. VAT payable

VAT refunds payables	3,423,522	7,376,654

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Notes to the Financial Statements

Figures in Rand	2016	2015

20. Consumer deposits

Water and Electricity	9,797,361	9,356,045
Other deposits	2,181,209	1,495,912
	11,978,570	**10,851,957**

21. Revenue

Service charges	213,236,697	183,959,013
Rental of facilities and equipment	221,070	194,510
Interest Earned - Outstanding Debtors	16,343,065	19,504,714
Licences and permits	7,472,066	6,204,071
Building Fees	558,017	589,706
Other Income	1,870,108	2,275,511
Interest Earned - External Investment	3,630,755	5,505,566
Property Rates	46,594,873	44,151,600
Government Grants & Subsidies	168,208,098	136,524,164
Public Contributions and Donations	150,793	215,542
Fines, Penalties and Forfeits	882,441	344,354
	459,167,983	**399,468,751**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	213,236,697	183,959,013
Rental of facilities and equipment	221,070	194,510
Interest Earned - Outstanding Debtors	16,343,065	19,504,714
Licences and permits	7,472,066	6,204,071
Building Fees	558,017	589,706
Other income	1,870,108	2,275,511
Interest Earned - External Investment	3,630,755	5,505,566
	243,331,778	**218,233,091**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	46,594,873	44,151,600
Transfer revenue		
Government grants & subsidies	168,208,098	136,524,164
Public contributions and donations	150,793	215,542
Fines, Penalties and Forfeits	882,441	344,354
	215,836,205	**181,235,660**

Notes to the Financial Statements

Figures in Rand	2016	2015

22. Property rates

Rates received

Property rates	46,594,873	44,151,600

Valuations

Residential	4,167,059,000	4,137,303,000
Commercial	938,115,000	939,305,000
State	38,910,000	38,910,000
Municipal	567,160,000	576,960,000
Agricultural	9,003,293,000	9,000,997,720
Sectional Title	985,311,000	965,841,000
Exempted	384,116,000	409,646,000
Other	14,410,000	23,750,000
	6,098,374,000	**6,092,712,720**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthlyl basis to take into account changes in individual property values due to alterations and subdivisions. The previous valuation roll was extended by the MEC as per MPRA.

A different rate is applied to property valuations to determine assessment rates. Rebates of R 30 000 is granted to each residential property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 18% per annum is levied on annual rates one month after the due date for payment.

23. Service charges

Sale of electricity	155,285,009	128,985,334
Sale of water	32,484,044	30,442,898
Sewerage and sanitation charges	14,731,356	14,636,445
Refuse removal	10,736,288	9,894,336
	213,236,697	**183,959,013**

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies

Equitable share	87,410,415	86,865,114
Municipal Infrastructure Grant	53,408,835	32,514,641
Department of Water and Forestry	19,885,489	5,494,734
Expanded Public Works Programme	1,187,000	935,577
Municipal System Infrastructure Grant	886,233	1,260,765
Financial Management Grant	1,599,999	1,600,001
Local Government SETA	203,827	405,249
Waterberg District Municipality	3,599,134	3,187,066
Work Intergrated Leanership	27,166	47,152
Electrification Grants	-	4,000,000
Other Grants	-	213,865
	168,208,098	**136,524,164**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	102,467,000	46,614,616
Unconditional grants received	87,410,415	86,865,113
	189,877,415	**133,479,729**

Equitable Share

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

All registered indigents receive a monthly subsidy of 6kl of water and 50KWH of electricity which is funded from the grant.

EXXARO

Balance unspent at beginning of year	657,896	657,896

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

The grant was received from EXXARO assisting municipality to build hawkers stalls

Finance Management Grant

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

Conditions has been met

This Grant is used to promote and support reforms to Municipal financial management and the implementation of the MFMA,2003

Expanded Public Works Programme

Balance unspent at beginning of year	(1)	65,689
Current-year receipts	1,187,000	1,035,000
Conditions met - transferred to revenue	(1,187,000)	(935,578)
Surrendered to Treasury	-	(165,112)

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

	(1)	**(1)**

Condition has been met

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	3,522,639
Current-year receipts	71,750,000	28,992,000
Conditions met - transferred to revenue	(53,408,834)	(32,514,639)
	18,341,166	**-**

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

The Grant used to construct basic municipal infrastructure to provide basic service for the benefit of poor households.

Municipal System Infrastructure Grant

Balance unspent at beginning of year	108,779	435,544
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(886,233)	(1,260,765)
Surrender to Treasury	(108,000)	-
	44,546	**108,779**

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

The grant has been used to built in-house capacity to perform their functions and stabilise instituttional and government system.

Department of Minerals and Energy

Balance unspent at beginning of year	(5,867,766)	(5,867,766)
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
	(5,867,766)	**(5,867,766)**

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

This Grant is used for electrification projects to provide basic services for the benefits of poor household .

Work Intergrated Learnership

Balance unspent at beginning of year	27,165	20,700
Current-year receipts	-	53,616
Conditions met - transferred to revenue	(27,165)	(47,151)
	-	**27,165**

Conditions has been met

The grant is used to pay an stipend for the learners in human resource management

Department of Water Affairs

Balance unspent at beginning of year	6,990,473	2,485,208
Current-year receipts	27,000,000	10,000,000

Notes to the Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(19,885,490)	(5,494,735)
	14,104,983	**6,990,473**

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

This Grant is used to subsidise the salaries of DWA employees transfered to the municipality and no condition attached

Department of local government and housing

Balance unspent at beginning of year	1,207,776	1,207,776

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

Local Economic Development Projects

Balance unspent at beginning of year	28,319	28,319

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

25. Public contributions and donations

Public contributions - Unconditional	150,793	215,542

26. Other revenue

Building Fees	558,017	589,706
Other income	1,870,108	2,275,511
	2,428,125	**2,865,217**

Other income includes advertising, cemetry, photocopy and connetion fees

27. General expenses

Advertising	505,940	799,452
Bank charges	1,223,246	1,153,196
Cleaning	331,600	270,875
Consumables	1,379,717	1,676,210
Entertainment	558,479	503,292
Conferences and seminars	127,211	122,121
Levies	1,559,150	1,309,577
Fuel and oil	4,358,628	4,464,567
Postage and courier	392,519	483,859
Printing and stationery	1,359,676	1,316,667
Telephone and fax	1,910,097	1,781,531
Training	2,029,150	1,489,126
Travel - local	5,949,468	4,970,231
Skills Development Levie	1,271,228	1,064,939
Post Employement Medical Benefit	6,046,368	3,615,754
Municipal Consumption	380,901	1,031,618
Rental Of Office Equipment	306,384	589,062
Other expenses	31,695,535	20,783,341
	61,385,297	**47,425,418**

Notes to the Financial Statements

Figures in Rand	2016	2015

28. Employee related costs

Basic	83,034,063	69,090,405
Bonus	7,144,103	5,019,163
Medical aid - company contributions	6,123,742	5,128,086
UIF	731,258	658,405
Leave pay provision charge	4,422,724	6,015,100
Defined contribution plans	18,001,997	14,614,663
Travel, motor car, accommodation, subsistence and other allowances	8,968,875	8,002,987
Overtime payments	10,180,079	8,126,674
Standby Allowances	1,059,781	991,500
Housing benefits and allowances	917,690	223,552
Phone Allowances	1,057,201	960,514
Staff uniform	2,556,875	2,646,758
	144,198,388	**121,477,807**

Remuneration of Municipal Manager

Annual Remuneration	709,808	148,187
Car Allowance	58,419	24,177
Contributions to UIF, Medical and Pension Funds	164,445	37,144
Leave	224,350	(157,280)
	1,157,022	**52,228**

The Municipal Manager Mrs. EM Tukakgomo was appointed on the 01 October 2015.

Remuneration of Chief Finance Officer

Annual Remuneration	525,290	780,107
Car Allowance	100,474	181,963
Performance and other Bonuses	45,149	55,800
Contributions to UIF, Medical and Pension Funds	150,050	208,794
Leave	(23,229)	89,531
	797,734	**1,316,195**

The Chief Financial Officer Mr. NC Lekaka resigned on 29 February 2016

Strategic Manager & Manager in Office of the Mayor

Annual Remuneration	446,126	842,481
Car Allowance	79,771	54,507
Performance and Other Bonuses	15,625	-
Contributions to UIF, Medical and Pension Funds	54,759	14,709
Leave	17,983	35,248
	614,264	**946,945**

The Strategic Manager Mr. K Motebele resigned on the 31 October 2015 and Dr. N Ndebele was appointed on the 04 February 2016 as the Manager in the Office of the Mayor.

Executive Manager Development Planning

Annual Remuneration	305,713	897,081
Car Allowance	29,594	131,554
Performance and Other Bonuses	66,658	-
Contributions to UIF, Medical and Pension Funds	68,197	96,648
leave	42,382	(499,992)

Figures in Rand	2016	2015

28. Employee related costs (continued)

	512,544	**625,291**

The Executive Manager Mrs. EM Tukakgomo was appointed as Municipal Manager on the 30 September 2015.

Executive Manager Corporate Services

Annual Remuneration	63,916	733,049
Car Allowance	16,025	84,096
Performance And Other Bonuses	-	(24,228)
Contributions to UIF, Medical and Pension Funds	15,564	1,338
Leave	108,224	(15,397)
	203,729	**778,858**

Mr M G Makgamatha was appointed as Executive Manager Corpoate Support Services from 01st June 2016.

Executive Manager Social Services

Annual Remuneration	726,088	680,487
Car Allowance	229,818	229,448
Performance and Other Bonuses	109,371	57,256
Contributions to UIF, Medical and Pension Funds	177,635	168,515
Leave	22,812	(7,828)
	1,265,724	**1,127,878**

Mr L S Thobane is appointed as Executive Manager Social Services.

Executive Manager Infrastructure

Annual Remuneration	674,831	642,506
Car Allowance	118,601	113,386
Performance And Other Bonuses	113,839	55,023
Contributions to UIF, Medical and Pension Funds	179,360	171,597
Leave	43,182	60,273
	1,129,813	**1,042,785**

Mr K L Thlako is appointed as Executive Manager Infrastructure Services.

29. Remuneration of Councillors

Renumeration of Councillors	8,143,769	8,149,644

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and one Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of Council owned vehicle for official duties and has a driver.

30. Debt impairment

Debt impairment	9,396,911	3,243,897

31. Investment revenue

Interest revenue		
Bank	3,630,755	5,505,566

Figures in Rand	2016	2015

32. Depreciation and amortisation

Property, plant and equipment	69,604,180	65,265,603

See note 3

33. Impairment of assets

Impairments		
Property, plant and equipment	5,850,254	9,305,964

The main classes of assets affected by impairment losses are:

- Community assets

- Other assets

- Infrastructure assets

The main events and circumstances that led to the recognition of these impairment losses are as follows:

- Vandalisation of Marapong Library.

- Burning of Marapong satelite office.

- Replacement of electricity meters with smart meters.

34. Gains /(loss) on Sale or Donated Assets

Donated Property Plant and Equipment	-	119,303,724
Gain or loss on on sale of assets	(2,063)	-
	(2,063)	**119,303,724**

35. Finance costs

Interest on external borrowings	16,868,199	16,891,895

36. Rental of facilities and equipment

Rental of facilities and equipment		
Rental of facilities	221,070	194,510

37. Contracted services

Other Contractors	24,556,033	14,648,250

38. Grants and subsidies paid

Other subsidies		
Grants and subsidies paid	1,774,162	1,474,123

The Municipality is paying grants to the grants to the SPCA, Agri Lephalale and Mogol Sports Club to subsidise these organisation to help the community.

Notes to the Financial Statements

Figures in Rand	2016	2015

39. Bulk purchases

Electricity	117,661,162	94,100,315
Water	10,510,831	8,892,978
	128,171,993	**102,993,293**

The Municipality is purchasing Bulk Water from EXXARO and ESKOM and Bulk Electicity from ESKOM.

40. Cash generated from operations

(Deficit) surplus	(44,104,910)	94,486,517
Adjustments for:		
Depreciation and amortisation	69,604,180	65,265,603
Gain (loss) on sale of assets and liabilities	2,063	(119,303,724)
Impairment deficit	5,850,254	9,305,969
Debt impairment	9,396,911	3,243,897
Movements in provisions	9,550,028	2,275,103
Changes in working capital:		
Inventories	168,369	(424,126)
Consumer debtors	(22,482,012)	(20,384,358)
Other receivable from non-exchange transactions	(1,544,601)	(6,599,733)
Payables from exchange transactions	10,688,171	(565,999)
VAT	(3,953,132)	1,141,196
Unspent conditional grants and receipts	25,364,278	382,771
Consumer deposits	1,126,616	867,347
Other asset	-	204,348
	59,666,215	**29,894,811**

41. Commitments

Authorised capital expenditure

Approved and already contracted for		
• Infrastructure	77,548,092	50,293,504
• Community	5,116,433	-
• Other	721,360	21,523,288
	83,385,885	**71,816,792**

Aprroved by not yet contracted for		
• Infrastructure	15,377,729	78,285,607
• Community	10,231,799	6,142,101
• Other	7,141,907	5,090,617
	32,751,435	**89,518,325**

Total capital commitments		
Already contracted for but not provided for	83,385,885	71,816,792
Not yet contracted for and authorised by accounting officer	32,751,435	89,518,325
	116,137,320	**161,335,117**

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

Notes to the Financial Statements

Figures in Rand	2016	2015

42. Contingencies

CONTIGENT LIABILITIES

The Legal Claims listed are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable .Amount have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups .

1. K P PAUL AND E PAUL
K P Paul and E Paul are suing the municipality for damages of R228 000.They claim they suffered loss due to the Municipality not supply them with electricity due to infrastructure capacity constraints.The matter is set for hearing on 24 April 2012.The matter has been posponed indefinetely to allow the Attorneys of Council to amend its plea as new facts arose after the plea was filed. The estimated legal cost and disbusre is R324 449.15.

2. RHINE VHANE CIVIL CONSTRUCTION CC & JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R6 172 518.00 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000.00

3. JOHAN FERDINARD BARNARD
The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Johan Ferdinard Barnard as one of the purchasers which developed in the area are claiming R2 600 000 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000

4. EDWARD JAMES DANIEL DE VILLIERS
The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Edward James Daniel De Villiers as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R303 000

5. CHRISTAAN LOURENS ERASMUS
The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.
Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage and the parties are currently negitiating settlement. Legal costs are estimated at R300 000

Contingent Assets

1. LEPHALALE VS BLUE HORIZON INVESTMENTS
Details of the case: Around 2008 the municipality entered into a service level agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the services, Blue Horizon was to contribute about R9 800 000 towards bulk services, which to date they have failed to pay. Despite the demand by the municipality, Blue Horizon Investments has failed/refused to pay. Council appointed an attorney to claim the money on its behalf. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R1 000 000

43. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report page 7
Ultimate controlling entity	Waterberg District Municipality
Members of key management	Section 56 Managers, refer to salaries note.

Related party balances

Related party transactions

Notes to the Financial Statements

Figures in Rand	2016	2015

44. Prior period errors

During the prior year, accounting errors were made with respect to;

- Completed capital projects that were not transferred from work in progress to completed assets, and as a result not depreciated.

- Smart Meters that were incorrectly expensed instead of being capitalised.

- Land that was incorrectly accounted for in the accounting records

- Water Meters that wereincorrectly accounted for in the accounting records

- Movable Assets that were incorrectly accounted for in the accounting records.

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

Statement of financial position

	2016	2015
Property Plant and Equipment		
Balance as previously stated -30 June 2015	-	1,203,741,671
Correction of errors 2014		
Land - Cost	-	5,852,000
Infrastructure - Cost	-	3,862,180
Other assets - Cost	-	304,673
Smart Meters - Cost	-	16,525,280
Accumulated depreciation - Infrastructure	-	(2,045,347)
Accumulated depreciation - Community assets	-	(70,875)
Accumulated depreciation - Other assets	-	(61,222)
Accumulated depreciation - Smart Meters	-	(184,255)
Correction of errors 2015		
Smart Meters - Cost	-	4,053,553
Accumulated depreciation - Infrastructure	-	(1,003,040)
Accumulated depreciation - Community assets	-	(224,972)
Accumulated depreciation - Other assets	-	(27,064)
Accumulated depreciation - Smart Meters	-	(720,837)
Property Plant and Equipment - Restated Amount	**-**	**1,230,001,745**
Finance Lease Liability		
Balance as previously stated -30 June 2015	-	86,734,378
Smart Meters	-	13,276,112
Finance Lease Liability Restated Amount	**-**	**100,010,490**
Accumulated Surplus		
Opening balance as previously stated - 01 July 2014	-	1,108,047,130
Correction of errors 2014		
Property Plant and Equipment - Cost	-	10,018,853
Property Plant and Equipment - Accumulated depreciation	-	(2,364,656)
Interest on finance lease liability	-	(479,043)
Repairs and maintance	-	1,899,161
Correction of errors 2015		
Surplus for the year ended 30 June 2015 as previously stated	-	90,576,891
Depreciation	-	(1,975,912)
Interest on finance lease liability	-	(1,298,812)
Repairs and maintance	-	7,184,349
Accumulated Surplus Restated amount	**-**	**1,211,607,961**

Statement of Financial Performance

Notes to the Financial Statements

Figures in Rand	2016	2015

44. Prior period errors (continued)

Depreciation		
As previously stated	-	63,289,692
Correction of prior year error	-	1,975,911
Depreciation - Restated Amount	**-**	**65,265,603**
Repairs and Maintance		
As previously stated	-	27,263,343
Correction of prior year error	-	(7,184,350)
Repairs and Maintance - Restated Amount	**-**	**20,078,993**
Finance Costs		
As previously stated	-	15,593,083
Correction of prior year error	-	1,298,812
Finance Costs - Restated Amount	**-**	**16,891,895**

45. Unauthorised expenditure

Opening balance	-	21,216,172
Current year	52,220,203	-
Approved by Council or Condoned	-	(21,216,172)
	52,220,203	**-**

46. Fruitless and wasteful expenditure

Opening balance	1,195,468	1,195,468
Current year	39,861	-
Recovered in the current year	(410,730)	-
	824,599	**1,195,468**

The municipality appointed MJ Moraka trading and project for the supply and delivery of water meters. Around February 2009 one of the employees of the Municipality signed a session to DPI Plastics Pty Ltd for the payment of R515 000.00 on behalf of MJ Moraka Trading and Projects although the employee did not have the necessary delegated powers. The session was never taken taken into account when MJ Moraka was paid for the services rendered and MJ Moraka was paid the full amount. In December 2011 DPI Plastic summoned municipality claiming the amount of R167 066.72. Council settled the amount based on the fradulent session signed by the employee and disciplinary action has been instituted against the employee and finalised.

The bookings for the flight and accomodation was done through travel counsellors. The cancelation was done late and which resulted in municipality being liable to pay the full invoice amount.

47. Irregular expenditure

Opening balance	109,999,262	84,434,799
Add: Irregular Expenditure - current year	14,269,590	25,564,463
	124,268,852	**109,999,262**

Figures in Rand	2016	2015

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,559,150	1,309,577
Amount paid - current year	(1,559,150)	(1,309,577)
	-	-

SALGA

Audit fees

Current year subscription / fee	3,298,440	2,418,386
Amount paid - current year	(3,298,440)	(2,418,386)
	-	-

PAYE and UIF

Current year subscription / fee	22,537,618	17,843,117
Amount paid - current year	(22,537,618)	(17,843,117)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	37,553,784	30,980,809
Amount paid - current year	(37,553,784)	(30,980,809)
	-	-

VAT

VAT payable	3,423,522	7,376,654

VAT output payables and VAT input receivables are shown in note 17

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

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 30 days at June 30, 2016:

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.

Incident		
Deviations	5,681,650	1,674,667

49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3,900,544	4,597,641

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

50. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements. The accounting officer has approved the deviations amounting to R5 681 650.92

51. Distribution Losses

WATER LOSSES - The Municipality's water losses for 2016 and 2015 are -15% and 26% respectively. The losses are due to illegal connections in Marapong Township and the asbestos pipe in the network which breaks. The Municipality is in the process of replacing asbestos pipes and addressing the illegal connections in Marapong.

ELECTRICITY LOSSES - The Municipality's electrical losses for 2016 and 2015 are 10% and 21% respectively. The Municipality has installed electricity smart meters in order to reduce losses.

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at Tuesday, June 30, 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Thursday, June 30, 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa								
DBSA	1	30/06/2024	4,288,359	-	387,815	3,900,544	-	-
			4,288,359	**-**	**387,815**	**3,900,544**	**-**	**-**
Bonds			-	-	-	-	-	-
Other loans								
INCA	2	31/12/2015	309,282	-	309,282	-	-	-
			309,282	**-**	**309,282**	**-**	**-**	**-**
Lease liability								
Finance lease liabilities	1	30/06/2024	103,380,945	-	9,713,673	93,667,272	-	-
			103,380,945	**-**	**9,713,673**	**93,667,272**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			4,288,359	-	387,815	3,900,544	-	-
Bonds			-	-	-	-	-	-

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at Tuesday, June 30, 2015 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Thursday, June 30, 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Other loans			309,282	-	309,282	-	-	-
Lease liability			103,380,945	-	9,713,673	93,667,272	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			107,978,586	**-**	**10,410,770**	**97,567,816**	**-**	**-**

Lephalale Local Municipality
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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	69,572,003	-	-	-	-	-	69,572,003	-	-	-	-	-	-	69,572,003
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	25,713,177	-	(441,670)	-	-	-	25,271,507	(12,168,289)	441,670	-	(887,382)	(73,432)	(12,687,433)	12,584,074
	95,285,180	-	(441,670)	-	-	-	94,843,510	(12,168,289)	441,670	-	(887,382)	(73,432)	(12,687,433)	82,156,077
Infrastructure														
Roads, Pavements & Bridges	514,790,400	-	-	19,302,095	-	-	534,092,495	(136,764,183)	-	-	(26,778,042)	3,215,282	(160,326,943)	373,765,552
Storm water	27,971,889	-	-	5,965,512	-	-	33,937,401	(3,116,230)	-	-	(590,340)	-	(3,706,570)	30,230,831
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	189,801,526	-	-	71,281	-	-	189,872,807	(63,180,032)	-	-	(7,611,486)	(8,806,696)	(79,598,214)	110,274,593
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	463,974,165	251,800	-	8,771,857	-	-	472,997,822	(132,633,994)	-	-	(18,561,782)	(151,961)	(151,347,737)	321,650,085
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	85,115,724	-	-	-	-	-	85,115,724	(35,245,268)	-	-	(4,954,927)	-	(40,200,195)	44,915,529
Transportation (Traffic management)	13,707,468	-	-	-	-	-	13,707,468	(1,606,270)	-	-	(916,335)	-	(2,522,605)	11,184,863
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fencing)	91,581	-	-	-	-	-	91,581	(77,926)	-	-	(3,969)	-	(81,895)	9,686
Other (infrastructure Buildings)	996,238	-	-	-	-	-	996,238	(453,900)	-	-	(33,299)	-	(487,199)	509,039
	1,296,448,991	251,800	-	34,110,745	-	-	1,330,811,536	(373,077,803)	-	-	(59,450,180)	(5,743,375)	(438,271,358)	892,540,178
Community Assets	57,478,857	132,150	-	3,132,269	-	-	60,743,276	(10,293,635)	-	-	(2,125,442)	(19,642)	(12,438,719)	48,304,557

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mayoral Chain	77,000	-	-	-	-	-	**77,000**	-	-	-	-	-	-	77,000
	77,000	**-**	**-**	**-**	**-**	**-**	**77,000**	**-**	**-**	**-**	**-**	**-**	**-**	**77,000**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Motor vehicles	38,089,985	-	(28,448)	-	-	-	**38,061,537**	(14,810,506)	28,448	-	(2,610,614)	(3,204)	**(17,395,876)**	20,665,661
Plant & equipment	16,324,731	485,143	(14,347)	-	-	-	**16,795,527**	(7,759,236)	14,347	-	(1,391,883)	(3,032)	**(9,139,804)**	7,655,723
Computer Equipment	4,883,759	966,640	(46,160)	-	-	-	**5,804,239**	(2,033,050)	46,160	-	(394,515)	(3,589)	**(2,384,994)**	3,419,245
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	7,833,149	244,238	(43,392)	-	-	-	**8,033,995**	(3,328,970)	43,392	-	(771,475)	(17,316)	**(4,074,369)**	3,959,626
Office Equipment	3,817,662	12,619	(69,499)	-	-	-	**3,760,782**	(1,944,530)	69,499	-	(288,237)	13,336	**(2,149,932)**	1,610,850
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3,588,349	-	-	-	-	-	**3,588,349**	(511,841)	-	-	(239,879)	-	**(751,720)**	2,836,629
Work in progress	111,584,914	73,167,121	-	(37,243,014)	-	-	**147,509,021**	-	-	-	-	-	**-**	147,509,021
Library books	2,104,592	114,253	-	-	-	-	**2,218,845**	(1,184,375)	-	-	(422,072)	-	**(1,606,447)**	612,398
Other Finance Assets - Leased (smart metres)	20,578,833	1,660,089	-	-	-	-	**22,238,922**	(905,092)	-	-	(875,019)	-	**(1,780,111)**	20,458,811
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	208,805,974	**76,650,103**	**(201,846)**	**(37,243,014)**	**-**	**-**	**248,011,217**	**(32,477,600)**	**201,846**	**-**	**(6,993,694)**	**(13,805)**	**(39,283,253)**	**208,727,964**

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	95,285,180	-	(441,670)	-	-	-	**94,843,510**	(12,168,289)	441,670	-	(887,382)	(73,432)	**(12,687,433)**	82,156,077
Infrastructure	1,296,448,991	251,800	-	34,110,745	-	-	**1,330,811,536**	(373,077,803)	-	-	(59,450,180)	(5,743,375)	**(438,271,358)**	892,540,178
Community Assets	57,478,857	132,150	-	3,132,269	-	-	**60,743,276**	(10,293,635)	-	-	(2,125,442)	(19,642)	**(12,438,719)**	48,304,557
Heritage assets	77,000	-	-	-	-	-	**77,000**	-	-	-	-	-	**-**	77,000
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	208,805,974	76,650,103	(201,846)	(37,243,014)	-	-	**248,011,217**	(32,477,600)	201,846	-	(6,993,694)	(13,805)	**(39,283,253)**	208,727,964
	1,658,096,002	**77,034,053**	**(643,516)**	**-**	**-**	**-**	**1,734,486,539**	**(428,017,327)**	**643,516**	**-**	**(69,456,698)**	**(5,850,254)**	**(502,680,763)**	**1,231,805,776**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	744,518	280,500	-	-	-	-	**1,025,018**	(256,298)	-	-	(147,149)	-	**(403,447)**	621,571
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	744,518	**280,500**	**-**	**-**	**-**	**-**	**1,025,018**	**(256,298)**	**-**	**-**	**(147,149)**	**-**	**(403,447)**	**621,571**
Investment properties														
Investment property	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total														
Land and buildings	95,285,180	-	(441,670)	-	-	-	**94,843,510**	(12,168,289)	441,670	-	(887,382)	(73,432)	**(12,687,433)**	82,156,077
Infrastructure	1,296,448,991	251,800	-	34,110,745	-	-	**1,330,811,536**	(373,077,803)	-	-	(59,450,180)	(5,743,375)	**(438,271,358)**	892,540,178
Community Assets	57,478,857	132,150	-	3,132,269	-	-	**60,743,276**	(10,293,635)	-	-	(2,125,442)	(19,642)	**(12,438,719)**	48,304,557
Heritage assets	77,000	-	-	-	-	-	**77,000**	-	-	-	-	-	**-**	77,000
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	208,805,974	76,650,103	(201,846)	(37,243,014)	-	-	**248,011,217**	(32,477,600)	201,846	-	(6,993,694)	(13,805)	**(39,283,253)**	208,727,964
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	744,518	280,500	-	-	-	-	**1,025,018**	(256,298)	-	-	(147,149)	-	**(403,447)**	621,571
Investment properties	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	1,658,840,520	**77,314,553**	**(643,516)**	**-**	**-**	**-**	**1,735,511,557**	**(428,273,625)**	**643,516**	**-**	**(69,603,847)**	**(5,850,254)**	**(503,084,210)**	**1,232,427,347**

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Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	69,572,003	-	-	-	-	-	**69,572,003**	-	-	-	-	-	-	69,572,003
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	25,713,177	-	-	-	-	-	**25,713,177**	(11,355,804)	-	-	(806,681)	(5,805)	**(12,168,290)**	13,544,887
	95,285,180	**-**	**-**	**-**	**-**	**-**	**95,285,180**	**(11,355,804)**	**-**	**-**	**(806,681)**	**(5,805)**	**(12,168,290)**	**83,116,890**
Infrastructure														
Roads, Pavements & Bridges	395,208,996	119,581,404	-	-	-	-	**514,790,400**	(105,713,721)	-	-	(26,619,240)	(4,431,222)	**(136,764,183)**	378,026,217
Storm water	24,630,609	3,341,280	-	-	-	-	**27,971,889**	(2,267,594)	-	-	(563,189)	(285,447)	**(3,116,230)**	24,855,659
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	184,929,350	1,363,403	-	-	-	**3,508,772**	**189,801,525**	(57,168,823)	-	-	(5,923,790)	(87,419)	**(63,180,032)**	126,621,493
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	459,588,202	-	-	4,385,963	-	-	**463,974,165**	(112,113,533)	-	-	(17,158,547)	(3,361,914)	**(132,633,994)**	331,340,171
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	85,115,724	-	-	-	-	-	**85,115,724**	(30,887,480)	-	-	(4,156,001)	(201,787)	**(35,245,268)**	49,870,456
Transportation (Traffic management)	10,150,820	3,556,648	-	-	-	-	**13,707,468**	(563,989)	-	-	(916,896)	(125,385)	**(1,606,270)**	12,101,198
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fencing)	91,581	-	-	-	-	-	**91,581**	(76,380)	-	-	(1,546)	-	**(77,926)**	13,655
Other (infrastructure buildings)	659,088	-	-	337,150	-	-	**996,238**	(434,223)	-	-	(19,676)	-	**(453,899)**	542,339
	1,160,374,370	**127,842,735**	**-**	**4,723,113**	**-**	**3,508,772**	**1,296,448,990**	**(309,225,743)**	**-**	**-**	**(55,358,885)**	**(8,493,174)**	**(373,077,802)**	**923,371,188**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	37,438,537	9,479,342	-	10,560,979	-	-	**57,478,858**	(8,120,388)	-	-	(1,678,125)	(495,123)	**(10,293,636)**	47,185,222
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	37,438,537	**9,479,342**	**-**	**10,560,979**	**-**	**-**	**57,478,858**	**(8,120,388)**	**-**	**-**	**(1,678,125)**	**(495,123)**	**(10,293,636)**	**47,185,222**

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Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mayoral Chain	77,000	-	-	-	-	-	**77,000**	-	-	-	-	-	-	77,000
	77,000	-	-	-	-	-	**77,000**	-	-	-	-	-	-	**77,000**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Motor vehicles	38,089,985	-	-	-	-	-	**38,089,985**	(11,983,530)	-	-	(2,536,483)	(290,494)	**(14,810,507)**	23,279,478
Plant & equipment	15,182,831	1,141,900	-	-	-	-	**16,324,731**	(5,696,599)	-	-	(2,056,473)	(6,165)	**(7,759,237)**	8,565,494
Computer Equipment	4,206,037	677,721	-	-	-	-	**4,883,758**	(1,683,120)	-	-	(348,837)	(1,093)	**(2,033,050)**	2,850,708
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	7,176,533	656,616	-	-	-	-	**7,833,149**	(2,627,675)	-	-	(690,478)	(10,817)	**(3,328,970)**	4,504,179
Office Equipment	3,332,444	485,218	-	-	-	-	**3,817,662**	(1,673,091)	-	-	(270,497)	(942)	**(1,944,530)**	1,873,132
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3,588,349	-	-	-	-	-	**3,588,349**	(272,891)	-	-	(236,594)	(2,356)	**(511,841)**	3,076,508
Work in progress	106,462,425	25,794,975	-	(17,163,713)	-	**(3,508,772)**	**111,584,915**	-	-	-	-	-	-	111,584,915
Library books	1,957,068	147,525	-	-	-	-	**2,104,593**	(782,827)	-	-	(401,548)	-	**(1,184,375)**	920,218
Other Finance Assets - Leased (smart metres)	16,525,280	4,053,553	-	-	-	-	**20,578,833**	(184,255)	-	-	(720,837)	-	**(905,092)**	19,673,741
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	196,520,952	**32,957,508**	-	**(17,163,713)**	-	**(3,508,772)**	**208,805,975**	**(24,903,988)**	-	-	**(7,261,747)**	**(311,867)**	**(32,477,602)**	**176,328,373**

Lephalale Local Municipality

Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	95,285,180	-	-	-	-	-	95,285,180	(11,355,804)	-	-	(806,681)	(5,805)	(12,168,290)	83,116,890
Infrastructure	1,160,374,370	127,842,735	-	4,723,113	-	3,508,772	1,296,448,990	(309,225,743)	-	-	(55,358,885)	(8,493,174)	(373,077,802)	923,371,188
Community Assets	37,438,537	9,479,342	-	10,560,979	-	-	57,478,858	(8,120,388)	-	-	(1,678,125)	(495,123)	(10,293,636)	47,185,222
Heritage assets	77,000	-	-	-	-	-	77,000	-	-	-	-	-	-	77,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	196,520,952	32,957,508	-	(17,163,713)	-	(3,508,772)	208,805,975	(24,903,988)	-	-	(7,261,747)	(311,867)	(32,477,602)	176,328,373
	1,489,696,039	170,279,585	-	(1,879,621)	-	-	1,658,096,003	(353,605,923)	-	-	(65,105,438)	(9,305,969)	(428,017,330)	1,230,078,673
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	541,758	202,760	-	-	-	-	744,518	(96,132)	-	-	(160,165)	-	(256,297)	488,221
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	541,758	202,760	-	-	-	-	744,518	(96,132)	-	-	(160,165)	-	(256,297)	488,221
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	95,285,180	-	-	-	-	-	95,285,180	(11,355,804)	-	-	(806,681)	(5,805)	(12,168,290)	83,116,890
Infrastructure	1,160,374,370	127,842,735	-	4,723,113	-	3,508,772	1,296,448,990	(309,225,743)	-	-	(55,358,885)	(8,493,174)	(373,077,802)	923,371,188
Community Assets	37,438,537	9,479,342	-	10,560,979	-	-	57,478,858	(8,120,388)	-	-	(1,678,125)	(495,123)	(10,293,636)	47,185,222
Heritage assets	77,000	-	-	-	-	-	77,000	-	-	-	-	-	-	77,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	196,520,952	32,957,508	-	(17,163,713)	-	(3,508,772)	208,805,975	(24,903,988)	-	-	(7,261,747)	(311,867)	(32,477,602)	176,328,373
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	541,758	202,760	-	-	-	-	744,518	(96,132)	-	-	(160,165)	-	(256,297)	488,221
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,490,237,797	170,482,345	-	(1,879,621)	-	-	1,658,840,521	(353,702,055)	-	-	(65,265,603)	(9,305,969)	(428,273,627)	1,230,566,894