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Maluti A-Phofung Group
Annual Financial Statements
for the year ended 30 June 2016

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act,1998.

Mayoral committee

Executive Mayor	Tshabalala VW
Chief Whip	Thebe TR
	Gamede EN Khoarai MI Lebesa MJ Mboso LA Mkhwanazi TI Mofokeng BD Nhlapo DJ Mokoena JM Mokubung ML Mosia MM Mositi MC Nhlapo MA Tsotetsi MJ

General Information

Councillors

Speaker	Ntedi AM
	Beukes PB
	Crockett M
	Hlatshwayo TF
	Khambule MA
	Khoapha NA
	Komako AM
	Lebesa MB
	Lebesana PJ
	Letaoane TT
	Letooane SG
	Mahamuza LP
	Mahlambi TJ
	Mahlatsi A
	Majake MI
	Malinga DN
	Matjele MP
	Mavuso TM
	Mazibuko MR
	Mdakane HF
	Mhlambi MA
	Mofokeng BD
	Mofokeng K
	Mofokeng MA
	Mohlekwa TR
	Mohoaladi ME
	Mojakisane NS
	Mokoena DJ
	Mokoena JM
	Mokoena LE
	Mokotso GT
	Mokubung ML
	Molaba TE
	Moloi L
	Moloi TD
	Mopeli MS
	Mopeli N
	Moseme LA
	Mosikidi MF
	Mosikidi TJ
	Motaung ME
	Motaung PM
	Motaung SJ
	Motloung MM
	Mpakathe MP
	Ndlovu VM
	Nhlapo DJ
	Ramochela A
	Ramohloki NI
	Rantsane J
	Salamu MS
	Sefatsa DE
	Semela DG
	Seobi MJ
	Sephula PE
	Shabalala M
	Taaso MB
	Tamane MJ
	Thakhuli ND
	Tolofi ME
Grading of local authority	Grade 4

General Information

Capacity of local authority	High capacity
Municipal demarcation code	FS194
Accounting Officer	Adv. Tsupa MR
Chief Finance Officer (CFO)	Mofokeng MA
Business address	32 Moremoholo and Motloung Street Setsing Business centre Phuthaditjhaba 9870
Postal address	Private Bag X805 Witsieshoek 9866
Bankers	First National Bank Ltd Standard Bank of South Africa
Auditors	Auditor-General of South Africa (Free State)
Attorneys	Balden and Vogel Partners Majavu Incorporated Majola Attorney's Ponoane Attorneys, Notories and Conveyancers Moroka Attorney's Sunil Narian Incorporated Uys Mathebula Attorneys

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
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)

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the group 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 annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The external auditors are responsible for auditing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors and their report.

The annual financial statements set out on pages 7 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2016 and were signed on its behalf by:

Adv. MR Tsupa
Accounting officer

07 November 2016

Audit Committee Report

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The economic entity is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

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

Net deficit of the economic entity was R 850 660 631 (2015: deficit R 130 574 492).

2. Going concern

We draw attention to the fact that at 30 June 2016, the group incurred a net loss of R 850 660 631 and that the groups's total current liabilities exceed its total current assets by R 1 647 947 713.

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

The group is still exploring alternative options to improve its financial position. Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2017.

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to obtain funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung local municipality.

3. Subsequent events

On the 02 September 2016 a robbery took place at the municipality, and an amount of R105 641.55 was stolen from the municipality cashiers.

4. Accounting policies

The annual financial statements prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and 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. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name
Adv. MR Tsupa

6. Interest in controlled entities

Name of controlled entity	Shareholding ratio %
Maluti-a-Phofung Water SOC Ltd	100

Details of the municipality's investment in controlled entity are set out in note 12.

Statement of Financial Position as at 30 June 2016

		Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
	Note(s)	R	R	R	R
Assets					
Current Assets					
Inventories	3	5 148 687	5 299 582	2 133 036	2 277 363
Receivables from exchange transactions	4	9 334 819	6 861 562	9 334 819	6 861 562
Receivables from non-exchange transactions	5	120 553 581	212 696 776	81 818 047	177 071 362
VAT receivable	6	147 767 444	47 895 912	139 214 527	39 168 909
Consumer debtors	7	237 543 780	390 237 811	328 656 439	480 883 799
Cash and cash equivalents	8	8 051 665	6 733 731	7 895 386	6 728 773
Short term portion of long term receivable	14	645 390	1 213 652	645 390	1 213 652
Other financial assets	13	-	12 572	-	-
		529 045 366	**670 951 598**	**569 697 644**	**714 205 420**
Non-Current Assets					
Investment property	9	68 347 234	69 579 275	68 347 234	69 579 275
Property, plant and equipment and intangible assets	10	2 923 876 145	3 000 347 562	2 911 219 930	2 986 706 240
Intangible assets	11	1 278 957	1 631 633	1 278 957	1 631 633
Investments in controlled entities	12	-	-	300	300
Other financial assets	13	454 620	430 105	454 620	430 105
Long term receivable	14	2 560 327	361 409	2 560 327	361 409
		2 996 517 283	**3 072 349 984**	**2 983 861 368**	**3 058 708 962**
Total Assets		**3 525 562 649**	**3 743 301 582**	**3 553 559 012**	**3 772 914 382**
Liabilities					
Current Liabilities					
Other financial liabilities	15	2 750 272	3 617 406	2 750 272	3 617 406
Payables from exchange transactions	16	1 766 667 044	1 135 401 925	1 644 707 270	1 036 658 589
Consumer deposits	17	11 732 472	11 721 031	11 732 472	11 721 031
Unspent conditional grants and receipts	18	2 854 334	1 786 608	2 854 334	1 786 608
Employee benefit obligation	20	2 386 000	4 227 000	2 386 000	4 227 000
Bank overdraft	8	-	17 095	-	-
		1 786 390 122	**1 156 771 065**	**1 664 430 348**	**1 058 010 634**
Non-Current Liabilities					
Other financial liabilities	15	7 123 250	9 077 081	7 123 250	9 077 081
Provisions	19	41 906 940	41 016 466	41 906 940	41 016 466
Employee benefit obligation	20	29 169 000	24 803 000	29 169 000	24 803 000
		78 199 190	**74 896 547**	**78 199 190**	**74 896 547**
Total Liabilities		**1 864 589 312**	**1 231 667 612**	**1 742 629 538**	**1 132 907 181**
Net Assets		**1 660 973 337**	**2 511 633 970**	**1 810 929 474**	**2 640 007 201**
Accumulated surplus		1 660 973 337	2 511 633 970	1 810 929 474	2 640 007 201

* See Note 49

Statement of Financial Performance

		Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
	Note(s)	R	R	R	R
Revenue					
Revenue from exchange transactions					
Service charges	23	403 379 790	553 638 508	403 379 790	556 962 656
Rental income	24	1 063 565	850 031	1 063 565	850 031
Recoveries	25	63 475	833 609	63 475	833 609
Other income	26	19 169 482	447 422 418	19 038 300	446 589 828
Interest received	27	26 961 587	17 530 461	26 961 587	17 530 461
Total revenue from exchange transactions		**450 637 899**	**1 020 275 027**	**450 506 717**	**1 022 766 585**
Revenue from non-exchange transactions					
Taxation revenue					
Fines		37 661 859	879 568	37 661 859	879 568
Property rates	28	208 269 730	120 001 428	208 269 730	120 001 428
Transfer revenue					
Government grants and subsidies	29	640 240 274	601 162 809	640 240 274	609 662 809
Total revenue from non-exchange transactions		**886 171 863**	**722 043 805**	**886 171 863**	**730 543 805**
Total revenue	22	**1 336 809 762**	**1 742 318 832**	**1 336 678 580**	**1 753 310 390**
Expenditure					
Employee related costs	30	(415 082 931)	(337 543 897)	(316 214 773)	(256 577 446)
Remuneration of councilors	31	(23 134 449)	(23 488 936)	(22 907 635)	(23 389 808)
Community project expenditure	32	(15 676 364)	(56 278 843)	(15 676 364)	(56 278 843)
Depreciation and amortisation	33	(279 488 973)	(279 223 707)	(278 694 414)	(278 171 069)
Impairment loss/ Reversal of impairments	34	(449 071)	(22 191)	-	-
Finance costs	35	(20 685 301)	(4 206 387)	(4 478 516)	(3 985 103)
Debt Impairment	36	(254 820 931)	162 696 232	(254 820 931)	162 696 232
Repairs and maintenance	37	(103 010 358)	(466 701 285)	(97 751 436)	(461 075 119)
Bulk purchases	38	(675 051 204)	(426 541 128)	(709 905 667)	(452 467 192)
Contracted services	39	(68 144 803)	(66 105 020)	(62 138 853)	(60 777 540)
Grants and subsidies paid	40	-	-	(95 000 000)	(100 222 159)
Inventories losses / write-downs	59	-	(189 915 292)	-	(189 915 292)
General expenses	41	(331 262 757)	(179 306 393)	(307 504 465)	(162 469 889)
Total expenditure		**(2 186 807 142)**	**(1 866 636 847)**	**(2 165 093 054)**	**(1 882 633 228)**
Operating deficit		**(849 997 380)**	**(124 318 015)**	**(828 414 474)**	**(129 322 838)**
Loss on disposal of assets		(663 251)	(6 256 477)	(663 251)	(6 256 477)
Deficit for the year		**(850 660 631)**	**(130 574 492)**	**(829 077 725)**	**(135 579 315)**

* See Note 49

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Economic entity		
Balance at 01 July 2014	**2 642 208 462**	**2 642 208 462**
Changes in net assets		
Surplus for the year	(130 574 492)	(130 574 492)
Total changes	(130 574 492)	(130 574 492)
Restated* Balance at 01 July 2015	**2 511 633 968**	**2 511 633 968**
Changes in net assets		
Surplus for the year	(850 660 631)	(850 660 631)
Total changes	(850 660 631)	(850 660 631)
Balance at 30 June 2016	**1 660 973 337**	**1 660 973 337**
Note(s)		
Controlling entity		
Balance at 01 July 2014	**2 775 586 516**	**2 775 586 516**
Changes in net assets		
Deficit for the year	(135 579 315)	(135 579 315)
Total changes	(135 579 315)	(135 579 315)
Restated* Balance at 01 July 2015	**2 640 007 199**	**2 640 007 199**
Changes in net assets		
Deficit for the year	(829 077 725)	(829 077 725)
Total changes	(829 077 725)	(829 077 725)
Balance at 30 June 2016	**1 810 929 474**	**1 810 929 474**

* See Note 49

Cash Flow Statement

		Economic entity		Controlling entity	
		2016	2015 Restated*	2016	2015 Restated*
	Note(s)	R	R	R	R
Cash flows from operating activities					
Receipts					
Service charges		761 870 294	315 944 927	502 647 788	465 731 237
Grants		641 308 000	600 468 538	641 308 000	608 968 538
Interest income		26 961 587	17 530 461	26 961 587	17 530 461
Other receipts		150 101 576	283 382 063	160 290 110	279 912 949
		1 580 241 457	1 217 325 989	1 331 207 485	1 372 143 185
Payments					
Employee costs		(438 217 380)	(361 032 833)	(336 840 802)	(277 798 254)
Suppliers		(910 923 693)	(785 561 064)	(779 887 453)	(882 603 553)
Finance costs		(20 685 301)	(4 206 387)	(4 478 516)	(3 985 103)
		(1 369 826 374)	(1 150 800 284)	(1 121 206 771)	(1 164 386 910)
Net cash flows from operating activities	44	**210 415 083**	**66 525 705**	**210 000 714**	**207 756 275**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	10	(204 819 830)	(155 369 080)	(206 867 020)	(204 268 870)
Proceeds from sale of property, plant and equipment and intangible assets	10	663 251	6 022 437	7 756 411	6 022 437
Purchase of other intangible assets	11	(59 299)	-	(59 299)	-
Proceeds from sale of other intangible assets	11	-	234 041	-	234 041
Proceeds from sale of financial assets		(11 943)	195 754	(24 515)	206 134
Purchase of long term receivable		(1 630 656)	-	(1 630 656)	-
Proceeds from sale of long term receivable		-	8 236 185	-	8 236 185
Net cash flows from investing activities		**(205 858 477)**	**(140 680 663)**	**(200 825 079)**	**(189 570 073)**
Cash flows from financing activities					
Repayment of other financial liabilities		(2 820 965)	(3 940 704)	(2 820 965)	(3 940 704)
Finance lease payments		-	(398 987)	-	(398 987)
Interest (paid) / received	45	(400 612)	(11 877 670)	(236 168)	(12 289 937)
Net cash flows from financing activities		**(3 221 577)**	**(16 217 361)**	**(3 057 133)**	**(16 629 628)**
Net increase/(decrease) in cash and cash equivalents		**1 335 029**	**(90 372 319)**	**6 118 502**	**1 556 574**
Cash and cash equivalents at the beginning of the year		6 716 636	97 088 955	6 728 773	(43 869 959)
Cash and cash equivalents at the end of the year	8	**8 051 665**	**6 716 636**	**12 847 275**	**(42 313 385)**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
	R	R	R	R	R	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
	R	R	R	R	R	
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	662 780 282	(4 835 000)	**657 945 282**	463 708 762	**(194 236 520)**	60
Rental income	1 345 000	-	**1 345 000**	1 063 565	**(281 435)**	60
Recoveries	-	-	**-**	63 475	**63 475**	60
Other income	34 288 592	-	**34 288 592**	20 079 831	**(14 208 761)**	60
Interest received	27 400 000	-	**27 400 000**	26 961 587	**(438 413)**	60
Total revenue from exchange transactions	**725 813 874**	**(4 835 000)**	**720 978 874**	**511 877 220**	**(209 101 654)**	
Revenue from non-exchange transactions						
Taxation revenue						
Traffic fines	1 080 254	-	**1 080 254**	21 405 129	**20 324 875**	60
Property rates	262 412 510	-	**262 412 510**	152 732 209	**(109 680 301)**	60
Transfer revenue						
Government grants and subsidies	675 694 480	(20 440 480)	**655 254 000**	829 416 404	**174 162 404**	60
Total revenue from non-exchange transactions	**939 187 244**	**(20 440 480)**	**918 746 764**	**1 003 553 742**	**84 806 978**	
Total revenue	**1 665 001 118**	**(25 275 480)**	**1 639 725 638**	**1 515 430 962**	**(124 294 676)**	
Expenditure						
Personnel	(398 852 225)	(5 836 951)	**(404 689 176)**	(412 648 246)	**(7 959 070)**	60
Remuneration of councilors	(22 988 692)	-	**(22 988 692)**	(23 152 353)	**(163 661)**	60
Community project expenditure	-	-	**-**	(11 400 474)	**(11 400 474)**	60
Depreciation and amortisation	(74 110 000)	-	**(74 110 000)**	(266 401 099)	**(192 291 099)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(449 071)	**(449 071)**	0
Finance costs	(6 000 000)	-	**(6 000 000)**	(23 338 384)	**(17 338 384)**	60
Bad debts written off	(102 877 061)	-	**(102 877 061)**	(377 098 782)	**(274 221 721)**	60
Repairs and maintenance	(125 310 000)	-	**(125 310 000)**	(98 987 478)	**26 322 522**	60
Bulk purchases	(224 657 321)	15 753 512	**(208 903 809)**	(543 775 006)	**(334 871 197)**	60
Contracted services	(117 325 000)	-	**(117 325 000)**	(64 921 081)	**52 403 919**	60
Grants and subsidies paid	(185 000 000)	-	**(185 000 000)**	(102 916 667)	**82 083 333**	60
General expenses	(318 432 500)	15 359 000	**(303 073 500)**	(423 907 055)	**(120 833 555)**	60
Debt impairment	-	-	**-**	(29 680 402)	**(29 680 402)**	
Total expenditure	**(1 575 552 799)**	**25 275 561**	**(1 550 277 238)**	**(2 378 676 098)**	**(828 398 860)**	
Operating deficit	**89 448 319**	**81**	**89 448 400**	**(863 245 136)**	**(952 693 536)**	
Loss on disposal of assets and liabilities	-	-	**-**	(662 035)	**(662 035)**	
Fair value adjustments	-	-	**-**	(34 614)	**(34 614)**	
	-	**-**	**-**	**(696 649)**	**(696 649)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to note
	R	R	R	R	R	
Deficit before taxation	**89 448 319**	**(227 813 734)**	**(138 365 415)**	**(863 941 785)**	**(725 576 370)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**89 448 319**	**(227 813 734)**	**(138 365 415)**	**(863 941 785)**	**(725 576 370)**	

Economic entity - 2016

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Controlling entity - 2016											
Financial Performance											
Property rates	267 000 000	(4 587 490)	262 412 510	-		262 412 510	208 269 730		(54 142 780)	79 %	78 %
Service charges	664 830 000	(67 230 000)	597 600 000	-		597 600 000	403 379 790		(194 220 210)	67 %	61 %
Investment revenue	22 500 000	(5 100 000)	17 400 000	-		17 400 000	26 961 587		9 561 587	155 %	120 %
Transfers recognised - operational	454 044 000	106 210 000	560 254 000	-		560 254 000	454 043 000		(106 211 000)	81 %	100 %
Other own revenue	515 398 639	(466 184 793)	49 213 846	-		49 213 846	57 827 199		8 613 353	118 %	11 %
Total revenue (excluding capital transfers and contributions)	**1 923 772 639**	**(436 892 283)**	**1 486 880 356**	**-**		**1 486 880 356**	**1 150 481 306**		**(336 399 050)**	**77 %**	**60 %**
Employee costs	(280 582 420)	(27 993 866)	(308 576 286)	-	-	(308 576 286)	(316 214 773)	-	(7 638 487)	102 %	113 %
Remuneration of councillors	(23 643 071)	925 379	(22 717 692)	-	-	(22 717 692)	(22 907 635)	-	(189 943)	101 %	97 %
Debt impairment	(50 000 000)	(52 887 061)	(102 887 061)			(102 887 061)	(254 820 931)	-	(151 933 870)	248 %	510 %
Depreciation and asset impairment	(175 000 000)	105 000 000	(70 000 000)			(70 000 000)	(278 694 414)	-	(208 694 414)	398 %	159 %
Finance charges	(6 000 000)	-	(6 000 000)	-	-	(6 000 000)	(4 478 516)	-	1 521 484	75 %	75 %
Materials and bulk purchases	(620 000 000)	420 000 000	(200 000 000)	-	-	(200 000 000)	(709 905 667)	-	(509 905 667)	355 %	115 %
Grants and subsidies paid	(255 396 452)	70 396 452	(185 000 000)	-	-	(185 000 000)	(95 000 000)	-	90 000 000	51 %	37 %
Other expenditure	(367 350 696)	(132 410 488)	(499 761 184)	-	-	(499 761 184)	(483 734 369)	-	16 026 815	97 %	132 %
Total expenditure	**(1 777 972 639)**	**383 030 416**	**(1 394 942 223)**	**-**	**-**	**(1 394 942 223)**	**(2 165 756 305)**	**-**	**(770 814 082)**	**155 %**	**122 %**
Surplus/(Deficit)	**145 800 000**	**(53 861 867)**	**91 938 133**	**-**		**91 938 133**	**(1 015 274 999)**		**(1 107 213 132)**	**(1 104)%**	**(696)%**

Appropriation Statement

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
Transfers recognised - capital	450 665 000	(173 961 887)	276 703 113	-		276 703 113	186 197 274		(90 505 839)	67 %	41 %
Surplus (Deficit) after capital transfers and contributions	**596 465 000**	**(227 823 754)**	**368 641 246**	**-**		**368 641 246**	**(829 077 725)**		**(1 197 718 971)**	**(225)%**	**(139)%**
Surplus/(Deficit) for the year	**596 465 000**	**(227 823 754)**	**368 641 246**	**-**		**368 641 246**	**(829 077 725)**		**(1 197 718 971)**	**(225)%**	**(139)%**

The appropriation is an unaudited statement.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity’s annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates are the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity is identified and recognised separately from the controlling entity's interest therein, and is recognised within net assets.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties or the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

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

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 economic entity 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 economic entity 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.

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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

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

Value in use of non-cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 20.

Effective interest rate

The economic entity used the incremental borrowing rate to discount future cash flows.

Allowance for impairment

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

1.4 Investment property

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

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

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

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

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

1.4 Investment property (continued)

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Land	indefinite
Building	60 years

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

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

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

1.5 Property, plant and equipment and intangible assets

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

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

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

Property, plant and equipment and intangible assets are initially measured at cost.

The cost of an item of property, plant and equipment and intangible assets 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 the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment and intangible assets, where the municipality 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 and intangible assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.5 Property, plant and equipment and intangible assets (continued)

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	60 years
Infrastructure	Straight line	15 - 80 years
Community	Straight line	60 years
Other assets	Straight line	36 - 120 months

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

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

Each part of an item of property, plant and equipment and intangible assets 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 and intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment and intangible assets 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 and intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, changes in the measurement of an existing decommissioning, restoration and similar liability that result from change 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 discount rate, and the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

The related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

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

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

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	36 - 60 months

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

The gain or loss arising from the derecognition of an intangible assets is the difference between the net disposal proceeds and the carrying amount and the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.8 Investments in controlled entities

Controlling entity annual financial statements

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any cost directly attributable to the purchase of controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Financial instruments

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long term receivables (current portion)	Financial asset measured at amortised cost
Long term receivables (non-current)	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

1.9 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.9 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

Accounting Policies

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another municipality in cash or another financial asset.

The cost method is the method used to account for statutory receivable that require such receivable to be measured at their transaction amount, plus any accrued interest or other changes (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The economic entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9 on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using GRAP 23 on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of either GRAP 9 or GRAP 23 listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

Accrued interest

Where the economic entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the economic entity is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The economic entity assesses at each reporting date whether there is objective evidence that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the economic entity considers, as a minimum, the following indicators:

1.10 Statutory receivables (continued)

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the economic entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

1.11 Inventories (continued)

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

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

1.12 Impairment of cash-generating assets

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

Identification

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

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

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

Value in use

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

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

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.

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.

1.12 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 economic entity 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 economic entity uses 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 municipality 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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assesses 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 municipality 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.

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.

1.13 Impairment of non-cash-generating assets

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

Identification

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

The economic entity 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 economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests 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 is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

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

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:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the economic entity will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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

Reversal of an impairment loss

The economic entity assesses 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 economic entity 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.

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.

1.14 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

Accounting Policies

1.15 Accumulated surplus

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

1.16 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the economic entity after deducting all of its liabilities.

1.17 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in surplus or deficit for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, economic entity accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the economic entity or the counterparty with the choice of whether the economic entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.18 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 municipality assesses the classification of each element separately.

Finance leases - lessor

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

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

1.18 Leases (continued)

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 municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

Accounting Policies

1.19 Employee benefits

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 12 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 12 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 a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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 measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises 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 municipality 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 the 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 municipality, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned.

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the 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 services to the municipality during a reporting period, the municipality recognises 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, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 are consistent with the currency and estimated term of the obligation.

1.19 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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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 municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

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

Accounting Policies

1.19 Employee benefits (continued)

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, the municipality attributes 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, the municipality, attributes 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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

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) 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 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, 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.

1.19 Employee benefits (continued)

Other long-term employee benefits

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

The municipality’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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 recognises 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;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes (as a minimum):
- the location, function, and approximate number of employees whose 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 is based on the number of employees expected to accept the offer.

1.20 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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.

1.20 Provisions and contingencies (continued)

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 economic entity 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 expenditure.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingent assets and contingent liabilities are disclosed in note 47.

1.20 Provisions and contingencies (continued)

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, are accounted for as follows:

The related asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- 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; or
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests 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 1.12 and 1.13.

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 are recognised in surplus or deficit as they occur.

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

1.21 Revenue from exchange transactions

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.

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 economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- 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 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 surveys of work performed.

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of municipal 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.

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.22 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable thet the future economic benefit or service potential will flow to the municipality and that the fair value of the assets can be measured reliably.

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

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.23 Borrowing costs

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

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

1.24 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.25 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 49 for detail.

1.28 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.

1.29 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.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular 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.

1.31 Budget information

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

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

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

Variances above 8% and below -8% were considered to be material and explained in detail. Refer to note 60.

1.32 Related parties

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

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

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

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

Accounting Policies

1.33 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 economic entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.34 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.

1.34 Service concession arrangements: Entity as grantor (continued)

- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment and intangible assets, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

1.34 Service concession arrangements: Entity as grantor (continued)

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The economic entity has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of Cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The economic entity has adopted the standard for the first time in the 2016 annual financial statements.

2. New standards and interpretations (continued)

The impact of the standard is not material.

Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:
- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

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

The economic entity has adopted the improvements for the first time in the 2016 annual financial statements.

The impact of the improvements is not material.

GRAP 23 (as amended 2015): Revenue From Non-exchange Transactions

The following amendments were made to the standard:
- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an municipality’s operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The economic entity has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

2. New standards and interpretations (continued)

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

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

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

	Economic entity		Controlling entity	
	2016	2015	2016	2015
	R	R	R	R

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

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

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public-Private Partnership (PPP) agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

2. New standards and interpretations (continued)

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

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

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

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

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

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

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

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

2. New standards and interpretations (continued)

The interpretation has been approved by the Accounting Standards Board, but its effective date of the standard is not yet set by the Minister of Finance.

The economic entity expects to adopt the standard for the first time when the Minister sets its effective date for the standard.

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

GRAP 16 (as amended in 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

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

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

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

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

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

2. New standards and interpretations (continued)

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

The impact of this standard is currently being assessed.

3. Inventories

Consumable stores	5 003 264	5 081 143	2 133 036	2 277 363
Water	85 202	177 753	-	-
Fuel (Diesel, Petrol)	60 221	40 686	-	-
	5 148 687	**5 299 582**	**2 133 036**	**2 277 363**

Refer to note 56.

4. Receivables from exchange transactions

Deposits	1 629 147	2 676 860	1 629 147	2 676 860
TATS Electrical services	3 434 647	3 434 647	3 434 647	3 434 647
Other receivables	4 271 025	750 055	4 271 025	750 055
	9 334 819	**6 861 562**	**9 334 819**	**6 861 562**

Trade and other receivables pledged as security

None of the trade and other receivables were pledged as security.

Credit quality of other receivables from exchange transactions

Other receivable from exchange transactions were neither past due nor impaired.

None of the financial assets that are fully performing have been renegotiated in the last year.

5. Receivables from non-exchange transactions

Debt impairment	(45 088 611)	(20 886 267)	-	-
Government grants and subsidies	-	109 241 502	-	106 210 000
Property rates	81 783 678	70 826 993	81 783 678	70 826 993
Public contributions and subsidies	83 531 614	53 195 936	-	-
Sundry deposits	64 508	64 508	34 369	34 369
Other debtors	262 392	254 104	-	-
	120 553 581	**212 696 776**	**81 818 047**	**177 071 362**

Receivables from non-exchange transactions pledged as security

None of the trade and other receivables were pledged as security.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

5. Receivables from non-exchange transactions (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions were neither past nor due nor due nor impaired.

Receivables from non-exchange transactions

Rates				
Gross balance	220 791 376	197 598 530	220 791 376	197 598 530
Less: Allowance for impairment	(206 993 170)	(126 771 537)	(206 993 170)	(126 771 537)
	13 798 206	**70 826 993**	**13 798 206**	**70 826 993**

Ageing of rates				
Current	3 445 403	100 497	3 445 403	100 497
0-30 days	6 554 153	48 036 122	6 554 153	48 036 122
31-60 days	3 798 650	22 690 374	3 798 650	22 690 374
	13 798 206	**70 826 993**	**13 798 206**	**70 826 993**

None of the financial assets that are fully performing have been renegotiated in the last year.

Reconciliation of allowance for impairment

Opening balance	(126 771 537)	(213 968 988)	(126 771 537)	(213 968 988)
Additional impairment charge for the current year.	80 221 633	87 197 451	80 221 633	87 197 451
Total impairment	(206 993 170)	(126 771 537)	(206 993 170)	(126 771 537)

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	19 477 624	20 405 497	17 970 058	100 497
2 months past due	-	48 036 122	-	48 036 122
>3 months past due	-	24 357 041	-	22 690 374

Receivables from non-exchange transactions impaired

As of 30 June 2016, other receivables from non-exchange transactions of R 208 500 736 (2015: R 148 743 204) were impaired and provided for.

6. VAT receivable

VAT	147 767 444	47 895 912	139 214 527	39 168 909

The municipality is registered for VAT on the payment basis.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

7. Consumer debtors

Gross balances				
Electricity	272 237 063	288 519 476	282 952 052	299 234 460
Water	224 169 694	216 876 190	262 360 116	260 078 004
Sewerage	103 228 014	104 139 989	103 228 014	104 139 989
Refuse	110 807 039	108 959 019	110 807 039	108 959 019
Sundry receivable	114 638 180	130 779 554	114 638 180	130 779 554
	825 079 990	**849 274 228**	**873 985 401**	**903 191 026**
Less: Allowance for impairment				
Electricity	(64 402 225)	(62 468 419)	(64 402 225)	(62 468 419)
Water	(264 229 031)	(203 181 615)	(230 061 373)	(174 492 015)
Sewerage	(92 848 746)	(69 068 591)	(92 848 746)	(69 068 591)
Refuse	(100 928 623)	(73 746 612)	(100 928 623)	(73 746 612)
Sundry receivable	(65 127 585)	(50 571 180)	(57 087 995)	(42 531 590)
	(587 536 210)	**(459 036 417)**	**(545 328 962)**	**(422 307 227)**
Net balance				
Electricity	207 834 838	226 051 057	218 549 827	236 766 041
Water	(40 059 337)	13 694 575	32 298 743	85 585 989
Sewerage	10 379 268	35 071 398	10 379 268	35 071 398
Refuse	9 878 416	35 212 407	9 878 416	35 212 407
Sundry receivable	49 510 595	80 208 374	57 550 185	88 247 964
	237 543 780	**390 237 811**	**328 656 439**	**480 883 799**
Electricity				
Current	20 391 800	2 215 238	20 391 800	2 215 238
0 -30 days	4 001 201	26 309 027	4 001 201	26 309 027
31 - 60 days	4 577 307	10 322 831	4 577 307	10 322 831
91 - 120 days	178 864 530	187 203 961	181 543 779	212 491 427
Undefined Difference	**-**	**-**	**8 035 740**	**(14 572 482)**
	207 834 838	**226 051 057**	**218 549 827**	**236 766 041**
Water				
Current	7 392 791	26 980	7 392 791	26 980
0 -30 days	4 464 647	10 020 319	4 464 647	10 020 319
31 - 60 days	4 715 081	9 177 889	4 715 081	9 177 889
91 - 120 days	(56 631 856)	(5 530 613)	6 248 222	66 363 583
Undefined Difference	**-**	**-**	**9 478 002**	**(2 782)**
	(40 059 337)	**13 694 575**	**32 298 743**	**85 585 989**
Sewerage				
Current	2 645 233	14 297	2 645 233	14 297
0 -30 days	2 068 167	2 869 927	2 068 167	2 869 927
31 - 60 days	1 873 521	2 565 107	1 873 521	2 565 107
91 - 120 days	3 792 347	29 622 067	784 044	29 622 067
Undefined Difference	**-**	**-**	**3 008 303**	**-**
	10 379 268	**35 071 398**	**10 379 268**	**35 071 398**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

7. Consumer debtors (continued)

Refuse				
Current (0 -30 days)	2 553 195	10 364	2 553 195	10 364
31 - 60 days	2 005 706	2 328 734	2 005 706	2 328 734
61 - 90 days	1 031 665	2 140 145	1 031 665	2 140 145
91 - 120 days	4 287 850	30 733 164	689 382	30 733 164
Undefined Difference	**-**	**-**	**3 598 468**	**-**
	9 878 416	**35 212 407**	**9 878 416**	**35 212 407**

Sundry debtors				
Current (0 -30 days)	8 252	8 252	302 213	8 252
31 - 60 days	162 809	162 809	134 433	162 809
61 - 90 days	159 411	159 411	170 071	159 411
91 - 120 days	49 180 123	79 877 902	6 809 091	87 917 492
Undefined Difference	**-**	**-**	**50 134 377**	**-**
	49 510 595	**80 208 374**	**57 550 185**	**88 247 964**

Reconciliation of allowance for impairment				
Balance at beginning of the year	(450 996 827)	(370 792 065)	(422 307 227)	(350 576 972)
Contributions to allowance	(136 539 383)	(88 244 352)	(197 783 825)	(71 730 255)
Undefined Difference	**-**	**-**	**74 762 090**	**-**
	(587 536 210)	**(459 036 417)**	**(545 328 962)**	**(422 307 227)**

Credit quality of consumer debtors

During the year no consumer receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	-	-	-

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 231	7 061	2 772	2 103
Bank balance (Main)	2 939 191	4 383 237	2 785 371	4 383 237
Short-term deposits	1 885 639	1 681 139	1 885 639	1 681 139
Bank balance (Electricity)	3 221 604	662 294	3 221 604	662 294
Bank overdraft	-	(17 095)	-	-
	8 051 665	**6 716 636**	**7 895 386**	**6 728 773**

Current assets	8 051 665	6 733 731	7 895 386	6 728 773
Current liabilities	-	(17 095)	-	-
	8 051 665	**6 716 636**	**7 895 386**	**6 728 773**

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2016	Bank statement balances 30 June 2015	Bank statement balances 30 June 2014	Cash book balances 30 June 2016	Cash book balances 30 June 2015	Cash book balances 30 June 2014
First National Bank - current	2 841 207	3 360 212	5 350 504	2 785 371	4 383 237	(47 770 029)
First National Bank - savings	3 221 604	662 302	1 905 042	3 221 604	662 294	2 210 373
Standard bank - short term deposit	1 896 539	1 681 139	1 684 162	1 885 639	1 681 139	1 684 162
Standard bank - operating account	153 811	(17 095)	(59 712)	153 820	(17 095)	(59 712)
Petty cash	472	53	3 485	472	53	3 485
Cash float	2 300	2 050	2 050	2 300	2 050	2 050
Total	**8 115 933**	**5 688 661**	**8 885 531**	**8 049 206**	**6 711 678**	**(43 929 671)**

9. Investment property

Economic entity	2016 Cost / Valuation	2016 Accumulated depreciation and accumulated impairment	2016 Carrying value	2015 Cost / Valuation	2015 Accumulated depreciation and accumulated impairment	2015 Carrying value
Investment property	105 820 321	(37 473 087)	68 347 234	105 820 321	(36 241 046)	69 579 275

Controlling entity	2016 Cost / Valuation	2016 Accumulated depreciation and accumulated impairment	2016 Carrying value	2015 Cost / Valuation	2015 Accumulated depreciation and accumulated impairment	2015 Carrying value
Investment property	105 820 321	(37 473 087)	68 347 234	105 820 321	(36 241 046)	69 579 275

Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Difference	Impairments	Depreciation	Total
Investment property	69 579 275	**(431 367)**	(400 168)	(400 506)	68 347 234

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Difference	Other changes, movements	Depreciation	Total
Investment property	41 485 586	**10 893 951**	17 349 259	(149 521)	69 579 275

Pledged as security

None of the above investment property have been pledged as security.

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.

10. Property, plant and equipment and intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	331 094 407	-	331 094 407	331 094 407	-	331 094 407
Buildings	179 374 203	(41 119 421)	138 254 782	166 534 876	(38 343 841)	128 191 035
Plant and machinery	8 160 831	(2 897 936)	5 262 895	8 186 646	(2 564 764)	5 621 882
Motor vehicles	7 334 473	(1 763 498)	5 570 975	7 429 718	(1 738 681)	5 691 037
Infrastructure	7 286 530 845	(5 514 341 227)	1 772 189 618	7 179 260 868	(5 248 244 950)	1 931 015 918
Community	113 670 198	(10 748 487)	102 921 711	116 168 612	(9 548 020)	106 620 592
Other assets	69 250 386	(48 851 378)	20 399 008	67 928 994	(43 307 234)	24 621 760
Work in progress	548 182 749	-	548 182 749	467 490 931	-	467 490 931
Total	**8 543 598 092**	**(5 619 721 947)**	**2 923 876 145**	**8 344 095 052**	**(5 343 747 490)**	**3 000 347 562**

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	179 374 203	(41 119 421)	138 254 782	166 534 876	(38 343 841)	128 191 035
Community	113 670 198	(10 748 487)	102 921 711	116 168 612	(9 548 020)	106 620 592
Infrastructure	7 286 530 845	(5 514 341 227)	1 772 189 618	7 179 260 868	(5 248 244 950)	1 931 015 918
Land	331 094 407	-	331 094 407	331 094 407	-	331 094 407
Other assets	65 712 705	(47 136 042)	18 576 663	64 321 825	(42 028 468)	22 293 357
Work in progress	548 182 749	-	548 182 749	467 490 931	-	467 490 931
Total	**8 524 565 107**	**(5 613 345 177)**	**2 911 219 930**	**8 324 871 519**	**(5 338 165 279)**	**2 986 706 240**

10. Property, plant and equipment and intangible assets (continued)

Reconciliation of property, plant and equipment and intangible assets - controlling entity - 2016

	Opening balance	Difference	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	128 191 035	**3 854 619**	-	-	12 839 327	-	(6 630 199)	-	138 254 782
Community	106 620 592	**(218 716)**	-	-	-	(2 498 414)	(981 751)	-	102 921 711
Infrastructure	1 931 015 918	**(23 878 393)**	-	(192 183)	115 141 432	-	(249 897 156)	-	1 772 189 618
Land	331 094 407	**-**	-	-	-	-	-	-	331 094 407
Other assets	22 293 357	**1 253 728**	2 384 215	(469 852)	-	-	(6 689 968)	(194 817)	18 576 663
Work in progress	467 490 931	**11 284 148**	204 482 805	(7 094 376)	(127 980 759)	-	-	-	548 182 749
	2 986 706 240	**(7 704 614)**	**206 867 020**	**(7 756 411)**	**-**	**(2 498 414)**	**(264 199 074)**	**(194 817)**	**2 911 219 930**

Reconciliation of property, plant and equipment and intangible assets - controlling entity - 2015

	Opening balance	Difference	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	97 021 639	**(41 937 257)**	-	-	23 281 948	52 994 612	-	(3 169 907)	-	128 191 035
Community	61 871 868	**18 043 725**	-	-	9 800 000	15 866 580	1 682 958	(644 539)	-	106 620 592
Infrastructure	2 555 409 860	**(417 787 337)**	-	-	42 161 812	-	-	(248 768 417)	-	1 931 015 918
Land	405 894 500	**(217 893 389)**	114 842	-	-	142 978 454	-	-	-	331 094 407
Other assets	35 213 972	**(1 050 601)**	1 582 462	(6 022 437)	-	-	-	(7 409 828)	(20 211)	22 293 357
Work in progress	306 402 418	**33 760 707**	202 571 566	-	(75 243 760)	-	-	-	-	467 490 931
	3 461 814 257	**(626 864 152)**	**204 268 870**	**(6 022 437)**	**-**	**211 839 646**	**1 682 958**	**(259 992 691)**	**(20 211)**	**2 986 706 240**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

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 Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

11. Intangible assets

Economic entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 503 046	(4 224 089)	1 278 957	5 443 748	(3 812 115)	1 631 633

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 503 046	(4 224 089)	1 278 957	5 443 748	(3 812 115)	1 631 633

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1 631 633	59 299	(411 975)	1 278 957

Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Disposals	Amortisation	Total
Computer software	2 565 934	(234 041)	(700 260)	1 631 633

Pledged as security

None of the above intangible assets have been pledged as security.

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.

12. Investments in controlled entities

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Maluti-a-Phofung Water (SOC) Ltd	Maluti-a-Phofung Local Municipality	100,00 %	100,00 %	300	300

The carrying amounts of controlled entities are shown net of impairment losses.

13. Other financial assets

Fair value				
Sanlam shares	35 769	36 593	35 769	36 593
Sanlam life policy	418 851	393 512	418 851	393 512
Impairments	-	-	-	-
	454 620	**430 105**	**454 620**	**430 105**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
13. Other financial assets (continued)				
At amortised cost				
Other loans and receivables	-	12 572	-	-
Terms and conditions				
Total other financial assets	**454 620**	**442 677**	**454 620**	**430 105**
Non-current assets				
Fair value	454 620	430 105	454 620	430 105
Current assets				
At amortised cost	-	12 572	-	-

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1				
Listed shares	357 694	393 131	357 694	393 131
Level 2				
Sanlam life policy	418 851	393 512	418 851	393 512
	776 545	**786 643**	**776 545**	**786 643**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

14. Long term receivable

Non- current portion of long term receivables	2 590 327	361 409	2 590 327	361 409
Current portion of long term receivables	645 390	1 213 652	645 390	1 213 652
	3 235 717	**1 575 061**	**3 235 717**	**1 575 061**

15. Other financial liabilities

At amortised cost				
Annuity loans	9 873 522	12 694 487	9 873 522	12 694 487
All annuity loans are from the Development Bank of South Africa and repayments are made on a six monthly basis.				

The average interest rate amounts to 12% per annum and the last loan is redeemable at 31 December 2021.

The municipality did not default on any principal or interest repayments during the period for loans repayable. No terms were renegotiated before the financial statements were authorized for issue.

Non-current liabilities				
At amortised cost	7 123 250	9 077 081	7 123 250	9 077 081
Current liabilities				
At amortised cost	2 750 272	3 617 406	2 750 272	3 617 406

16. Payables from exchange transactions

Maluti-a-Phofung Water payable	-	(1)	90 786 649	87 270 398
Trade payables - MAP water	7 826 825	4 472 074	-	-
Accrued overtime and other allowances	1 209 954	953 863	-	-
Accrued leave pay	37 228 469	32 050 574	27 225 722	23 264 919
Accrued bonus	6 811 522	6 238 919	6 811 522	6 238 919
Purchases accrual	7 849 110	13 835 463	-	-
Deposits received	13 319	81 563	13 319	81 563
Payroll control account	6 637 686	6 461 772	-	-
Trade payables	1 663 454 948	1 036 135 959	1 486 884 316	884 631 051
Payments received in advance	33 000 046	35 171 739	32 985 742	35 171 739
Finance management grant	2 635 165	-	-	-
	1 766 667 044	**1 135 401 925**	**1 644 707 270**	**1 036 658 589**

17. Consumer deposits

Electricity and water	11 732 472	11 721 031	11 732 472	11 721 031

No interest accrues on the balance of the consumer deposits held by the municipality.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Municipal infrastructural grant	-	1 786 608	-	1 786 608
Integrated national electrification programme grant	2 854 334	-	2 854 334	-
	2 854 334	**1 786 608**	**2 854 334**	**1 786 608**

Movement during the year

Balance at the beginning of the year	1 786 608	2 480 879	1 786 608	2 480 879
Grants received during the year	189 870 000	217 063 828	189 870 000	217 063 828
Income recognised (conditions met)	(187 978 404)	(217 758 099)	(188 802 274)	(217 758 099)
Undefined Difference	**(823 870)**	**-**	**-**	**-**
	2 854 334	**1 786 608**	**2 854 334**	**1 786 608**

See note 29 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	Difference	Additions	Unwinding of interest	Total
Environmental rehabilitation	41 016 466	**145 959**	(1 632 202)	2 376 717	41 906 940

Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Difference	Additions	Unwinding of interest	Total
Environmental rehabilitation	34 510 793	**7 366 385**	(3 616 247)	2 755 535	41 016 466

The rehabilitation cost provision is for the rehabilitation programme of the landfill sites of the municipality. It is required from the municipality to execute an environmental management program to restore the landfill site after its useful life. The sites under construction are Harrismith and Phuthaditjhaba. Both landfill sites accept only general waste.

The Harrismith Landfill has been permitted for operation in terms Section 20 of the Environment Conservation Act, 1989 (ECA) and the QwaQwa Landfill has been licensed for closure and rehabilitation in terms of the National Environmental Management: Waste Act, 2008 (NEMWA).

In order to determine the rehabilitation costs of each site the minimum requirements issued by the Department of Water Affairs (DWA) was used as guideline for the design of the capping layer as well as the capacity of the storm water drainage system. If a site is permitted/licensed, the relevant rehabilitation requirements are obtained from the above documentation according to the site's classification or as required in each permit. If a site is unpermitted / unlicensed, the classification is assumed according to the volume of waste received per day at the site, the type of waste received and the climatic region in which the site is located, i.e. the factors that determine the classification of the licensed site.

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

19. Provisions (continued)

Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at 30 June 2018 for the Phuthaditjhaba andfill site and 30 June 2024 for the Harrismith landfill site.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

20. Employee benefit obligations

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

Carrying value				
Present value of long service liability	(19 306 000)	(17 135 000)	(19 306 000)	(17 135 000)
Present value of post-employment medical aid liability	(12 249 000)	(11 895 000)	(12 249 000)	(11 895 000)
	(31 555 000)	**(29 030 000)**	**(31 555 000)**	**(29 030 000)**
Non-current liabilities	(29 169 000)	(24 803 000)	(29 169 000)	(24 803 000)
Current liabilities	(2 386 000)	(4 227 000)	(2 386 000)	(4 227 000)
	(31 555 000)	**(29 030 000)**	**(31 555 000)**	**(29 030 000)**

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

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

Long service liability				
Opening balance	17 135 000	18 322 000	17 135 000	18 322 000
Benefits paid	(846 332)	(1 052 000)	(846 332)	(1 052 000)
Net expense recognised in the statement of financial performance	3 017 332	(135 000)	3 017 332	(135 000)
	19 306 000	**17 135 000**	**19 306 000**	**17 135 000**

Net expense of long service liability recognised in the statement of financial performance

Current service cost	2 133 000	2 669 000	2 133 000	2 669 000
Interest cost	1 618 000	1 482 000	1 618 000	1 482 000
Actuarial (gains)	(733 668)	(4 286 000)	(733 668)	(4 286 000)
	3 017 332	**(135 000)**	**3 017 332**	**(135 000)**

Changes in the present value of the post-retirement medical aid benefit are as follows:

Opening balance	11 895 000	12 290 000	11 895 000	12 290 000
Benefits paid	(707 104)	(672 000)	(707 104)	(672 000)
Net expenses recognised in the statement of financial performance	1 061 104	277 000	1 061 104	277 000
	12 249 000	**11 895 000**	**12 249 000**	**11 895 000**

Net expense of the post-retirement medical aid benefit recognised in the statement of financial performance

Current service cost	124 000	90 000	124 000	90 000
Interest cost	1 064 000	1 061 000	1 064 000	1 061 000
Actuarial (gain)	(126 896)	(874 000)	(126 896)	(874 000)
	1 061 104	**277 000**	**1 061 104**	**277 000**

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

20. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date for the post-employment medical aid liability and long service awards liability:

Discount rate	8,87 %	- %	Yield curve
Consumer price inflation	6,47 %	- %	Difference between
Normal salary increase rate	- %	- %	CPI + 1%
Medical aid contribution inflation	7,97 %	- %	CPI + 1%
Net effective discount rate	0,83 %	- %	Yield curve based
Salary increase rate	7,18 %	- %	CPI +1%
Mortality	- %	- %	SA85-90
Average retirement age	- %	- %	63

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A twenty percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**	**Twenty percentage point decrease**	**Twenty percentage point increase**
Effect on the aggregate of the service cost	-	-	13 425 000	11 328 000
Effect on defined benefit obligation	-	-	1 299 000	1 090 000
Effect on the aggregate of the interest cost	-	-	78 000	64 000

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Post-employment medical aid benefit	12 249 000	11 895 000	12 290 000	11 181 000	9 344 000
Long service award	19 306 000	17 135 000	18 322 000	16 797 000	-
Plan assets	2 525 000	(1 582 000)	2 634 000	311 000	541 000

21. Financial instruments disclosure

Categories of financial instruments

Controlling entity - 2016

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	9 257 832	9 257 832
Receivables from non-exchange transactions	13 832 575	13 832 575
Consumer debtors	254 401 549	254 401 549
Cash and cash equivalents	7 895 386	7 895 386
Short term portion of long term receivable	645 390	645 390
	286 032 732	**286 032 732**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2 750 272	2 750 272
Payables from exchange transactions	1 693 993 493	1 693 993 493
Consumer deposits	11 732 472	11 732 472
	1 712 154 441	**1 712 154 441**

Controlling entity - 2015

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	6 861 562	6 861 562
Receivables from non-exchange transactions	177 071 362	177 071 362
Consumer debtors	495 459 063	495 459 063
Cash and cash equivalents	6 728 773	6 728 773
Short term portion of long term receivable	1 213 652	1 213 652
	687 334 412	**687 334 412**

Financial liabilities

	At amortised cost	Total
Consumer deposits	11 721 031	11 721 031
Other financial liabilities	6 317 406	6 317 406
Payables from exchange transactions	1 174 176 023	1 174 176 023
	1 194 001 068	**1 194 001 068**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R
22. Revenue				
Service charges	403 379 790	553 638 508	403 379 790	556 962 656
Rental of facilities and equipment	1 063 565	850 031	1 063 565	850 031
Recoveries	63 475	833 609	63 475	833 609
Other income	19 169 482	447 422 418	19 038 300	446 589 828
Interest received - investment	26 961 587	17 530 461	26 961 587	17 530 461
Traffic fines	37 661 859	879 568	37 661 859	879 568
Property rates	208 269 730	120 001 428	208 269 730	120 001 428
Government grants and subsidies	640 240 274	601 162 809	640 240 274	609 662 809
	1 336 809 762	**1 742 318 832**	**1 336 678 580**	**1 753 310 390**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	403 379 790	553 638 508	403 379 790	556 962 656
Rental of facilities and equipment	1 063 565	850 031	1 063 565	850 031
Recoveries	63 475	833 609	63 475	833 609
Other income	19 169 482	447 422 418	19 038 300	446 589 828
Interest received - investment	26 961 587	17 530 461	26 961 587	17 530 461
	450 637 899	**1 020 275 027**	**450 506 717**	**1 022 766 585**
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Traffic fines	37 661 859	879 568	37 661 859	879 568
Property rates	208 269 730	120 001 428	208 269 730	120 001 428
Transfer revenue				
Government grants and subsidies	640 240 274	601 162 809	640 240 274	609 662 809
	886 171 863	**722 043 805**	**886 171 863**	**730 543 805**
23. Service charges				
Sale of electricity	273 034 194	405 423 978	273 034 194	408 748 126
Sale of water	42 926 528	71 288 604	59 953 239	83 542 306
Sewerage and sanitation charges	54 592 760	49 225 689	37 566 049	36 971 987
Refuse removal	32 826 308	27 700 237	32 826 308	27 700 237
	403 379 790	**553 638 508**	**403 379 790**	**556 962 656**
24. Rental income				
Premises	638 904	662 353	638 904	662 353
Facilities	424 661	187 678	424 661	187 678
	1 063 565	**850 031**	**1 063 565**	**850 031**
	1 063 565	**850 031**	**1 063 565**	**850 031**
25. Other income				
Recovery	63 475	833 609	63 475	833 609
Other income	19 169 482	447 422 418	19 038 300	446 589 828
	19 232 957	**448 256 027**	**19 101 775**	**447 423 437**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

26. Other income

Accompanying vehicles	26 231	27 975	26 231	27 975
Advertising	206 237	123 912	206 237	123 912
Building plan fees	319 114	1 114 232	187 932	281 642
Call out fees	197 559	273 880	197 559	273 880
Cemetery fees	46 450	280 440	46 450	280 440
Clearance certificate	104 081	33 678	104 081	33 678
Commission received	26 997	116 822	26 997	116 822
Connection and reconnection fees	706 109	1 528 108	706 109	1 528 108
Conservancy services	593 692	17 099	593 692	17 099
Container rental	7 877	-	7 877	-
Creditors write-off	-	438 057 033	-	438 057 033
Encroachment fees	17 670	10 034	17 670	10 034
Entrance fees	-	71 913	-	71 913
Identification of pegs	13 465	-	13 465	-
Festival donations and sponsorship	2 013 188	1 521 099	2 013 188	1 521 099
Valuation objection	136 956	74 682	136 956	74 682
Insurance claims	8 631 611	-	8 631 611	-
Medical aid income (pensioners contribution)	490 406	452 634	490 406	452 634
Other income (library fees, notice fees, licences and other income)	9 280	8 165	9 280	8 165
Donations	523 241	-	523 241	-
Photo copies	15 195	6 546	15 195	6 546
Sale of erven	12 985	1 885 461	12 985	1 885 461
Sale of tender documents	219 290	354 995	219 290	354 995
Searching fees	86 999	23 650	86 999	23 650
Storage fees	192 625	774 264	192 625	774 264
Unclaimed deposits and stale cheques	4 565 149	353 967	4 565 149	353 967
Telephone income	-	6 185	-	6 185
Training income	7 075	305 644	7 075	305 644
	19 169 482	**447 422 418**	**19 038 300**	**446 589 828**

Creditor's write-off:
In prior periods the municipality recorded the payables which were going to be paid within the next payment run. As a result of weaknesses in the accounting system, officials were allowed to record part payments of the full outstanding creditor balance in situations where there were not sufficient cash to pay the full outstanding amount. In prior years this resulted in a limitation of scope on the completeness of payables.Management decided to take the following course of action during 2015:
- Management inspected all creditor statements and payments they have made for the preceding three years to determine the remaining balance as at year end.
- Management included advertisements in the local newspapers and on the local radio stations to request all suppliers to submit the creditor statements as at year end and management called all the suppliers who did not respond in order to determine the remaining payable balance at year end.
- It was impracticable for management to determine the specific individual expense line items that the creditors related to in 2015 and the preceding 3 years. Management therefore decided to adjust the prior period against other income in 2015.

27. Investment revenue

Interest revenue				
Interest earned on investments	2 035 720	759 055	2 035 720	759 055
Interest earned on arrear accounts	24 925 867	16 771 406	24 925 867	16 771 406
	26 961 587	**17 530 461**	**26 961 587**	**17 530 461**

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

28. Property rates

Rates received

Residential	54 017 036	6 129 792	54 017 036	6 129 792
Commercial	58 140 408	29 317 913	58 140 408	29 317 913
National and provincial government	96 112 286	84 553 723	96 112 286	84 553 723
	208 269 730	**120 001 428**	**208 269 730**	**120 001 428**

Valuations

Residential	4 260 979 796	2 750 051 684	4 260 979 796	2 750 051 684
Commercial	3 880 941 801	3 283 987 981	3 880 941 801	3 283 987 981
National and provincial government	1 885 149 459	1 501 541 348	1 885 149 459	1 501 541 348
Municipal	2 303 692 366	335 320 686	2 303 692 366	335 320 686
	2 330 763 422	**7 870 901 699**	**2 330 763 422**	**7 870 901 699**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

29. Government grants and subsidies

Operating grants				
Equitable share	451 438 000	392 155 000	451 438 000	392 155 000
Financial management grant	1 675 000	1 600 000	1 675 000	1 600 000
Municipal systems improvement grant	930 000	934 000	930 000	934 000
Water service operating subsidy grant	-	-	-	8 500 000
	454 043 000	**394 689 000**	**454 043 000**	**403 189 000**
Capital grants				
Energy efficiency and demand side management grant	17 145 666	11 300 000	17 145 666	11 300 000
Extended public works programme incentive grant	5 718 000	4 866 000	5 718 000	4 866 000
Municipal infrastructural grant	158 833 608	154 260 392	158 833 608	154 260 392
Rural household infrastructure grant	4 500 000	4 499 100	4 500 000	4 499 100
Sterkfontein / Regional bulk infrastructural grant	-	31 548 317	-	31 548 317
	186 197 274	**206 473 809**	**186 197 274**	**206 473 809**
	640 240 274	**601 162 809**	**640 240 274**	**609 662 809**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	188 802 274	177 459 492	188 802 274	177 459 492
Unconditional grants received	451 438 000	392 155 000	451 438 000	392 155 000
	640 240 274	**569 614 492**	**640 240 274**	**569 614 492**

Equitable Share

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

Financial management grant

Current-year receipts	1 675 000	1 600 000	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)	(1 675 000)	(1 600 000)
	-	**-**	**-**	**-**

Conditions were met during the year.

In terms of the Constitution, this grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management. .

Municipal system improvement grant

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

Conditions were met during the year.

In terms of the Constitution, this grant is used to building the capacity of municipalities to implement sound institutional and governance systems required in terms of local government legislation.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

29. Government grants and subsidies (continued)

Water services operating subsidy grant

Current-year receipts	-	-	-	8 500 000
Conditions met - transferred to revenue	-	-	-	(8 500 000)
	-	**-**	**-**	**-**

In terms of the Constitution, this grant is used to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Extended public works programme incentive

Current-year receipts	5 718 000	4 866 000	5 718 000	4 866 000
Conditions met - transferred to revenue	(5 718 000)	(4 866 000)	(5 718 000)	(4 866 000)
	-	**-**	**-**	**-**

Conditions were met during the year.

In terms of the Constitution, this grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Sterkfontein / Regional bulk infrastructural grant

Current-year receipts	-	31 548 317	-	31 548 317
Conditions met - transferred to revenue	-	(31 548 317)	-	(31 548 317)
	-	**-**	**-**	**-**

Conditions were met during the year.

In terms of the Constitution, the grant can be used to build enabling infrastructure required to connect water resources over significant distances with bulk and reticulation systems.

Rural household infrastructure grant

Balance unspent at beginning of year	-	2 030 879	-	2 030 879
Current-year receipts	4 500 000	4 500 000	4 500 000	4 500 000
Conditions met - transferred to revenue	(4 387 088)	(4 499 100)	(4 387 088)	(4 499 100)
Other	-	(2 031 779)	-	(2 031 779)
Undefined Difference	**(112 912)**	**-**	**(112 912)**	**-**
	-	**-**	**-**	**-**

Conditions were met during the year.

In terms of the Constitution, this grant is used to improved access to basic water and sanitation in rural areas.

Municipal infastructure grant

Balance unspent at beginning of year	1 786 608	-	1 786 608	-
Current-year receipts	157 047 000	156 047 000	157 047 000	156 047 000
Conditions met - transferred to revenue	(156 460 802)	(154 260 392)	(156 460 802)	(154 260 392)
Undefined Difference	**(2 372 806)**	**-**	**(2 372 806)**	**-**
	-	**1 786 608**	**-**	**1 786 608**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

29. Government grants and subsidies (continued)

Conditions were met during the year.

In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Integrated national electrification programme

Current-year receipts	20 000 000	11 300 000	20 000 000	11 300 000
Conditions met - transferred to revenue	(18 807 514)	(11 300 000)	(18 807 514)	(11 300 000)
Undefined Difference	**1 661 848**	**-**	**1 661 848**	**-**
	2 854 334	**-**	**2 854 334**	**-**

Conditions still to be met - remain liabilities (see note 18).

In terms of the Constitution, this grant is used to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

30. Employee related costs

Basic	249 526 244	194 548 589	195 219 576	154 015 185
Bonus	19 775 739	21 135 640	13 182 569	9 843 317
Medical aid - company contributions	16 335 941	14 040 701	10 748 907	9 395 532
Unemployment insurance fund contribution	2 883 009	2 127 237	2 337 549	1 611 860
Workmen's compensation	10 865 324	13 630 307	1 674 973	5 531 491
Skills development levy	5 762 768	3 213 693	4 914 572	2 503 011
Leave pay provision charge	6 250 941	(147 197)	6 250 941	(147 197)
Group life insurance	998 510	708 431	998 510	708 431
Defined contribution plans	27 948 324	24 626 142	27 948 324	24 626 142
Travel, motor car, accommodation, subsistence and other allowances	10 473 940	8 170 102	3 693 321	3 532 225
Overtime payments	37 709 263	33 834 712	26 715 936	26 862 688
Long-service awards	349 650	-	349 650	-
Acting allowances	3 310 400	995 315	3 113 910	571 178
Car allowance	6 450 718	5 059 365	6 450 718	5 059 365
Housing benefits and allowances	3 154 816	1 874 160	1 334 834	677 840
Holiday Bonus	2 006 861	1 940 322	-	-
Telephone / cellphone allowance	1 236 021	656 500	1 236 021	656 500
Standby allowance	1 708 870	1 438 060	1 708 870	1 438 060
Bargaining council contribution	103 321	91 510	103 321	91 510
Long-term benefits - incentive scheme	521 642	(151 553)	521 642	(151 553)
	407 372 302	**327 792 036**	**308 504 144**	**246 825 585**

Remuneration of municipal manager

Annual remuneration	1 683 551	1 395 569	1 683 551	1 395 569
Travel allowance	140 000	422 474	140 000	422 474
Cellphone allowance	26 000	24 000	26 000	24 000
Contributions to UIF, medical and pension funds	1 933	-	1 933	-
	1 851 484	**1 842 043**	**1 851 484**	**1 842 043**

Mr TC Taetsane was a Municipal Manager for the period July 2014 to January 2016. TC Taetsane received annual remuneration of R844 571, cellphone allowance of R14 000, travel allowance of R140 000, contribution to UIF of R1041.

Adv MR Tsupa was a Municipal Manager for the period January 2016 to June 2016. Adv MR Tsupa received annual remuneration of R838 980, cellphone allwance of R12 000, contribution to UIF of R892.

There were two Municipal Managers for the period ended 30 June 2016.The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of chief finance officer

Annual remuneration	1 074 039	1 185 282	1 074 039	1 185 282
Travel allowance	165 000	8 106	165 000	8 106
Cellphone allowance	18 000	18 000	18 000	18 000
Contributions to UIF, medical and pension funds	1 785	1 785	1 785	1 785
	1 258 824	**1 213 173**	**1 258 824**	**1 213 173**

Mr MA Mofokeng was a Chief Financial Officer for the period July 2015 to June 2016.

The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

30. Employee related costs (continued)

Remuneration of the director of municipal infrastructure

Annual remuneration	70 430	887 701	70 430	887 701
Car allowance	16 650	222 908	16 650	222 908
Performance bonuses	1 500	18 000	1 500	18 000
Contributions to UIF, medical and pension funds	3 767	45 201	3 767	45 201
	92 347	**1 173 810**	**92 347**	**1 173 810**

Mr HW Ungerer was a Director of Municipal Infrastructure for the period July 2015 to August 2015.

The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of the director of local economic development and tourism

Annual remuneration	748 813	651 180	748 813	651 180
Travel allowance	216 604	320 764	216 604	320 764
Cellphone allowance	18 000	-	18 000	-
Contributions to UIF, medical and pension funds	148 380	172 362	148 380	172 362
	1 131 797	**1 144 306**	**1 131 797**	**1 144 306**

Mr FP Mothamaha was a Director of Local Economic Development and Tourism for the period July 2015 to June 2016.

The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of the director of public safety

Annual remuneration	796 471	744 749	796 471	744 749
Car allowance	199 805	251 825	199 805	251 825
Performance bonuses	18 000	18 000	18 000	18 000
Contributions to UIF, medical and pension funds	178 560	167 751	178 560	167 751
	1 192 836	**1 182 325**	**1 192 836**	**1 182 325**

Mr MW Matjele was a Director of Public Safety for the period ended July 2015 to June 2016.

The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Procurements and infrastructure (planning, transport and environmental affairs)

Annual remuneration	671 097	838 518	671 097	838 518
Travel allowance	113 408	188 919	113 408	188 919
Performance bonuses	15 000	18 000	15 000	18 000
Contributions to UIF, medical and pension funds	36 226	-	36 226	-
	835 731	**1 045 437**	**835 731**	**1 045 437**

Mr SB Mhlambi was a Director of Corporate Services for the period ended July 2015 to October 2015.

Ms MS Sekhonyana was a Director of Corporate Services for the period ended January 2016 to June 2016.

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

30. Employee related costs (continued)

There were two Director of Corporate for the period ended 30 June 2016. The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of the director of community services

Annual remuneration	856 508	804 042	856 508	804 042
Travel allowance	173 313	176 263	173 313	176 263
Cellphone allowance	18 000	18 000	18 000	18 000
Contributions to UIF, medical and pension funds	144 099	134 602	144 099	134 602
	1 191 920	**1 132 907**	**1 191 920**	**1 132 907**

Mrs PP Selepe was a Director of Community services for the period July 2015 to June 2016.

Director of Housing, Spatial development and Planning

Annual remuneration	155 690	761 543	155 690	761 543
Car allowance	-	215 251	-	215 251
Performance bonuses	-	18 000	-	18 000
Contributions to UIF, medical and pension funds	-	23 066	-	23 066
	155 690	**1 017 860**	**155 690**	**1 017 860**

The municipal manager took responsibility of the post from July 2015 to August 2015. Mr MS Nyember was Acting Director of Parks, Sport, Recreation, Arts and Culture for the period September 2015 to June 2016.

Acting allowances

Key management posts are vacant the reason, the reason for not filling the post is due to the municipality experiencing cash flow.

31. Remuneration of councilors

Executive Major	1 050 565	886 905	823 751	787 777
Mayoral Committee Members	7 339 825	4 651 547	7 339 825	4 651 547
Speaker	654 115	613 472	654 115	613 472
Councillors	14 089 944	17 337 012	14 089 944	17 337 012
	23 134 449	**23 488 936**	**22 907 635**	**23 389 808**

In-kind benefits

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

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

31. Remuneration of councilors (continued)

Councillors 30 June 2016	Annual remuneration	Travel, accommodation, subsistence and other allowances	Cellular phone allowance	Data allowance	Contributions to UIF, medical and pension funds	Total
Executive mayor - Tshabalala VW	687 523	-	33 090	3 600	99 537	823 750
Speaker - Nthedi AM	402 476	152 479	20 868	3 600	74 691	654 114
Chief whip - Thebe TR	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - Lebesa MJ	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - Mkhwanazi TI	590 296	-	20 868	3 600	-	614 764
Mayoral Committee Member - Mosia MM	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - Nhlapo MA	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - Mositi MC	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - Mboso LA	494 255	24 596	20 868	3 600	71 445	614 764
Mayoral Committee Member - Mokubung ML	212 862	81 597	12 173	2 100	31 928	340 660
Mayoral Committee Member - Tsotetsi MJ	376 194	143 086	20 866	3 600	69 575	613 321
Mayoral Committee Member - Khoarai MI	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - Mokoena JM	204 096	81 597	12 173	2 100	40 693	340 659
Mayoral Committee Member - Gamede EN	515 642	-	20 868	3 600	74 653	614 763

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

31. Remuneration of councilors (continued)

Mayoral Committee Member - Nhlapo DJ	221 708	-	8 695	1 500	32 081	263 984
Mayoral Committee Member - Mofokeng BD	189 627	36 893	8 695	1 500	27 269	263 984
Councillors						
Mohlekwa TR	142 418	57 351	20 868	3 600	37 467	261 704
Mokoena DJ	157 444	57 351	20 868	3 600	22 441	261 704
Motloung MM	142 418	57 351	20 868	3 600	37 467	261 704
Mohoaladi ME	162 366	34 410	20 868	3 600	40 459	261 703
Lebesana PJ	142 418	57 351	20 868	3 600	37 467	261 704
Mokoena JM	76 157	24 712	8 695	1 500	15 930	126 994
Majake MI	157 444	57 351	20 868	3 600	22 441	261 704
Motaung SJ	157 444	57 351	20 868	3 600	22 441	261 704
Mopeli MS	207 314	-	20 868	3 600	29 922	261 704
Ramochela A	207 314	-	20 868	3 600	29 922	261 704
Tolofi ME	145 903	57 351	20 868	3 600	34 703	262 425
Moseme LA	157 444	57 351	20 868	3 600	22 442	261 705
Khambule MA	195 498	-	20 868	3 600	42 882	262 848
Mavuso TM	157 444	57 351	20 868	3 600	22 442	261 705
Motaung PM	192 567	-	20 868	3 600	44 990	262 025
Seobi MJ	157 444	57 351	20 868	3 600	22 442	261 705
Mosikidi TJ	207 314	-	20 868	3 600	29 922	261 704
Molaba TE	157 444	57 351	20 868	3 600	22 442	261 705
Lebesa MB	157 444	57 351	20 868	3 600	22 442	261 705
Moloi L	157 444	57 351	20 868	3 600	22 442	261 705
Letooane SG	179 885	57 351	20 868	3 600	-	261 704
Mokubung ML	82 418	24 712	8 695	1 500	9 670	126 995
Mokoena LE	157 444	57 351	20 868	3 600	22 442	261 705
Mahlambi TJ	157 444	57 351	20 868	3 600	22 442	261 705
Komako AM	157 444	57 351	20 868	3 600	22 442	261 705
Mofokeng K	207 314	-	20 868	3 600	29 922	261 704
Mahamuza LP	157 444	57 351	20 868	3 600	22 442	261 705
Ratsane J	207 314	-	20 868	3 600	29 922	261 704
Motaung ME	207 314	-	20 868	3 600	29 922	261 704
Hlatshwayo TF	207 314	-	20 868	3 600	29 922	261 704
Shabalala M	157 444	57 351	20 868	3 600	22 442	261 705
Sephula PE	207 314	-	20 868	3 600	29 922	261 704
Crockett M	142 418	57 351	20 868	3 600	37 468	261 705
Mojakisane NS	157 444	57 351	20 868	3 600	22 442	261 705
Mopeli N	157 444	57 351	20 868	3 600	22 442	261 705
Khoapha NA	207 314	-	20 868	3 600	29 922	261 704
Mpakathe MP	179 885	57 351	20 868	3 600	-	261 704
Ndlovu VM	149 493	54 148	19 129	16 193	20 669	259 632
Thakhuli ND	215 147	-	20 868	3 600	29 922	269 537
Letaone TT	207 314	-	20 868	3 600	29 922	261 704
Matjele MP	157 444	57 351	20 868	3 600	22 442	261 705
Mahlatsi A	177 392	34 410	20 868	3 600	25 434	261 704
Taaso MB	129 545	-	13 001	2 243	18 257	163 046
Salamu MS	207 314	-	20 868	3 600	29 922	261 704
Semela DG	237 236	-	20 868	3 600	-	261 704
Malinga DN	237 236	-	20 868	3 600	-	261 704
Ramohloki NI	237 236	-	20 868	3 600	-	261 704
Beukes PB	237 236	-	20 868	3 600	-	261 704
Moloi TD	157 444	57 351	20 868	3 600	22 442	261 705

Notes to the Annual Financial Statements

			Economic entity		Controlling entity	
			2016 R	2015 R	2016 R	2015 R
31. Remuneration of councilors (continued)						
Mofokeng MA	207 314	-	20 868	3 600	29 922	261 704
Mokotso GT	182 987	27 976	20 868	3 600	26 273	261 704
Sefatsa DE	237 236	-	20 868	3 600	-	261 704
Mhlambi MA	183 066	-	18 135	3 129	22 624	226 954
Tamane MJ	19 770	1 739	300	-	-	21 809
Nhlapo DJ	113 526	-	12 173	2 100	17 029	144 828
Mofokeng BD	96 497	19 583	12 173	2 100	14 525	144 878
Mosikidi MF	93 253	-	8 695	1 500	-	103 448
Mazibuko MR	48 654	-	5 217	900	7 298	62 069
Mdakane HF	126 610	-	11 179	1 929	-	139 718
	16 025 152	**3 034 229**	**1 423 428**	**256 294**	**2 186 435**	**22 925 538**

31. Remuneration of councilors (continued)

Councillors 30 June 2015	Annual remuneration	Travel, accommodation, subsistence and other allowances	Cellular phone allowance	Data allowance	Contributions to UIF, medical and pension funds	Total
Executive Mayor - Tshabalala VW	671 671	-	41 820	3 600	70 687	787 778
Speaker - Nthedi AM	373 554	144 277	20 868	3 600	71 176	613 475
Chief Whip - Thebe TR	364 906	134 603	20 868	3 600	52 671	576 648
Mayoral Committee Member - Gamede EN	594 097	-	20 868	3 600	24 328	642 893
Mayoral Committee Member - Mohlekwa TR	130 936	53 842	20 868	3 600	36 095	245 341
Mayoral Committee Member - Majake MI	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Members - Mopeli N	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Member - Mkhwanazi T	541 927	-	20 868	3 600	-	566 395
Mayoral Committee member - Mokoena MJ	349 880	134 603	20 868	3 600	67 647	576 598
Mayoral Committee member - Motaung SJ	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Member - Mokubung ML	364 905	134 603	20 868	3 600	52 671	576 647
Mayoral Committe Member - Mositi MC	349 880	134 603	20 868	3 600	67 697	576 648
Mayoral Committee Member - Mosia MM	349 880	134 602	20 868	3 600	67 696	576 646
Councillors						
Beukes PB	239 292	-	22 607	3 900	-	265 799
Crockett SM	130 936	53 841	20 868	3 600	36 095	245 340
Hlatshwayo TF	186 966	8 798	20 868	3 600	26 944	247 176
Kambule MA	183 756	-	20 868	3 600	39 876	248 100
Lebesa MJ	349 880	134 602	20 868	3 600	67 697	576 647

31. Remuneration of councilors (continued)

Lebesana PJ	130 963	53 841	20 868	3 600	36 091	245 363
Letaoane TT	194 616	-	20 868	3 600	28 091	247 175
Letooane SG	185 451	36 246	20 868	3 600	-	246 165
Mahamuza LP	145 962	53 841	20 868	3 600	21 069	245 340
Mahlambi TJ	145 962	53 841	20 868	3 600	21 069	245 340
Mahlatsi A	165 423	32 304	20 868	3 600	23 878	246 073
Malinga DN	223 808	-	20 868	3 600	-	248 276
Matjele MP	145 962	53 841	20 868	3 600	21 069	245 340
Mavuso TM	145 962	53 841	20 868	3 600	21 068	245 339
Mazibuko MR	194 616	-	20 868	3 600	28 091	247 175
Mboso LA	486 541	-	20 868	3 600	70 227	581 236
Mofana MM	145 962	53 841	20 868	3 600	21 068	245 339
Mofokeng BD	165 423	32 304	20 868	3 600	23 877	246 072
Mofokeng K	194 616	-	20 868	3 600	28 091	247 175
Mofokeng MA	127 066	-	12 173	2 100	-	141 339
Mohlabi ML	28 688	10 997	1 739	300	4 303	46 027
Mohoaladi ME	150 397	32 304	20 868	3 600	38 903	246 072
Mojakisane NS	145 962	53 841	20 868	3 600	21 068	245 339
Moekoena DJ	145 962	53 841	20 868	3 600	21 068	245 339
Mokoena LE	145 962	53 841	20 868	3 600	21 068	245 339
Mokotso GT	266 450	100 027	20 868	3 600	39 141	430 086
Molaba TE	145 962	53 841	20 868	3 600	21 068	245 339
Moloi L	145 962	53 841	20 868	3 600	21 068	245 339
Moloi TD	160 403	-	13 912	2 400	-	176 715
Mopeli MS	194 616	-	20 868	3 600	28 091	247 175
Moseme LA	145 962	53 841	20 868	3 600	21 068	245 339
Mosikidi MF	223 808	-	20 868	3 600	-	248 276
Mosikili ST	109 113	44 515	17 390	3 000	29 941	203 959
Motaung ME	194 616	-	20 868	3 600	28 091	247 175
Motaung PM	180 069	-	20 868	3 600	42 910	247 447
Motloung PM	130 936	53 841	20 868	3 600	36 091	245 336
Mpakathe MP	176 654	45 043	20 868	3 600	-	246 165
Ndlovu VM	145 962	53 841	20 868	3 600	21 070	245 341
Nhlapo DJ	194 371	-	19 129	3 300	9 731	226 531
Nhlapo MA	364 906	134 602	20 868	3 600	52 671	576 647
Ramakarane TA	928 552	-	-	-	-	928 552
Ramaseli FW	94 092	-	3 478	600	-	98 170
Ramochela A	194 616	-	20 868	3 600	28 091	247 175
Ramohloki IN	282 710	-	20 868	3 600	-	307 178
Rantsane J	194 616	-	20 868	3 600	28 091	247 175
Salamu MS	194 616	-	20 868	3 600	28 091	247 175
Sefatsa DE	37 301	-	3 478	600	-	41 379
Sehlako KM	121 635	44 516	17 390	3 000	17 420	203 961
Semela DG	223 808	-	20 868	3 600	-	248 276
Khoapha NA	194 616	-	20 868	3 600	28 093	247 177
Khoarai MI	416 543	154 396	20 868	3 600	60 418	655 825
Kleinhans LM	22 950	8 798	3 478	600	3 444	39 270
Komako AM	145 962	53 841	20 868	3 600	21 069	245 340
Lebesa MB	145 962	53 841	20 868	3 600	21 069	245 340
Seobi MJ	145 962	53 841	20 868	3 600	21 069	245 340
Sephula PE	194 616	-	20 868	3 600	28 091	247 175
Shabalala M	149 787	49 442	20 868	3 600	21 641	245 338
Taaso BM	194 616	-	20 868	3 600	28 091	247 175
Thakhuli ND	194 616	-	20 868	3 600	28 091	247 175
Tolofi ME	135 102	53 841	20 868	3 600	32 491	245 902
Tsotsetsi MJ	349 880	134 602	20 868	3 600	67 697	576 647
Mosikidi TJ	194 616	-	20 868	3 600	28 092	247 176
	16 572 620	**3 059 134**	**1 471 278**	**250 200**	**2 036 576**	**23 389 808**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

31. Remuneration of councilors (continued)

BM Taaso was a councillor for the period of 1 July 2015 to 29 February 2016.

DJ Nhlapo was a councillor for the period 1 July 2015 to 31 January 2016. DJ Nhlapo was a member of the mayoral committee for the period of 1 February 2016 to 30 June 2016.

BD Mofokeng was a councillor for the period 1 July 2015 to 31 January 2016. BD Mofokeng was a member of the mayoral committee for the period of 1 February 2016 to 30 June 2016.

MR Mazibuko was a councillor from the period 1 July 2015 to 30 September 2015.

JM Mokoena was a member of the mayoral committee for the period of July 2015 to January 2016. JM Mokoena was a councillor for the period of February 2016 to June 2016.

MF Mosikidi was a councillor from the period 1 July 2015 to 30 November 2015.

MJ Tamane was a councillor from the period 1 June 2016 to 30 June 2016.

ML Mokubung was a member of the mayoral committee for the period of July 2015 to January 2016. ML Mokubung was a councillor for the period of February 2016 to June 2016.

HF Mdakane was a councillor from the period 1 December 2015 to 31 May 2016.

MA Mhlambi was a councillor for the period 1 September 2015 to 30 June 2016.

32. Community Expenditure

Capital expenditure acquired during the year	217 191 451	210 745 733	217 191 451	210 745 733
Less: Assets capitalised	(201 515 087)	(154 466 890)	(201 515 087)	(154 466 890)
	15 676 364	**56 278 843**	**15 676 364**	**56 278 843**

33. Depreciation and amortisation

Property, plant and equipment and intangible assets	279 488 973	279 223 707	278 694 414	278 171 069

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

34. Impairment of assets

Impairments				
Property, plant and equipment and intangible assets	449 071	22 191	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]				

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

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

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

35. Finance costs

Interest external	2 407 184	1 322 775	2 407 184	1 322 775
Interest for landfill site	2 071 332	2 662 328	2 071 332	2 662 328
Interest paid	16 206 785	221 284	-	-
	20 685 301	**4 206 387**	**4 478 516**	**3 985 103**

36. Debt impairment

Reversal of debt impairment provision	172 918 878	(162 700 092)	172 918 878	(162 700 092)
Bad debts written off	81 902 053	3 860	81 902 053	3 860
	254 820 931	**(162 696 232)**	**254 820 931**	**(162 696 232)**

37. Repairs and maintenance

Repairs and maintenance	103 010 358	466 701 285	97 751 436	461 075 119

38. Bulk purchases

Electricity	665 334 426	422 368 074	665 088 760	413 047 951
Water	9 716 778	4 173 054	44 816 907	39 419 241
	675 051 204	**426 541 128**	**709 905 667**	**452 467 192**

Distribution losses incurred on water and electricity:

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

38. Bulk purchases (continued)

2016	Total sales (units)	Less total purchases (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	237 956 518	486 465 430	51 %	248 508 912
Water	8 045 361	20 447 586	61 %	12 402 225
	246 001 879	**506 913 016**		**260 911 137**

2015	Total sales (units)	Less total purchases (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	306 177 374	1 002 403 789	69 %	696 226 415
Water	12 609 936	20 931 635	66 %	8 321 699
	318 787 310	**1 023 335 424**		**704 548 114**

The municipality contributed R60 341 570 towards indigent subsidy.

39. Contracted services

Information Technology Services	7 215 780	4 510 246	3 892 419	1 962 337
Fleet Services	3 712 235	1 128 629	2 157 779	-
Specialist Services	27 826 570	21 815 344	27 826 570	21 815 344
Other Contractors	29 390 218	38 650 801	28 262 085	36 999 859
	68 144 803	**66 105 020**	**62 138 853**	**60 777 540**

40. Grants and subsidies paid

Other subsidies				
DWA subsidy to Maluti-a-Phofung (SOC) Ltd	-	-	-	8 500 000
Equitable share to Maluti-a-Phofung Water (SOC) Ltd	-	-	95 000 000	91 722 159
	-	**-**	**95 000 000**	**100 222 159**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

41. General expenses

Assets expensed	-	114	-	-
Advertising	4 702 942	1 202 404	4 663 454	1 029 605
Auditors remuneration	14 045 701	8 816 952	6 948 854	5 629 657
Bank charges	2 813 318	2 385 693	2 753 109	2 324 495
Bursaries	21 104 973	3 917 231	21 104 973	3 917 231
Capacity building	2 579 582	486 429	2 498 885	396 000
Theft of cashier cash float	350	-	350	-
Cleaning	65 300	872 732	-	812 832
Community development and training	488 388	348 481	-	-
Computer software usage	4 950	35 933	-	-
Consulting and professional fees	10 635 141	9 855 841	10 602 730	9 750 841
Consumables	3 396 171	951 050	3 395 681	951 050
Debt collection	2 040 221	-	2 040 221	-
Community development and training	89 361 649	21 238 005	89 330 598	21 220 350
Flowers	11 811	2 088 730	-	2 074 585
Fuel and oil	3 976 250	8 073 797	3 976 250	8 073 797
General workers seasonal	2 294 850	1 339 074	2 294 850	1 339 074
Hire	2 903 052	3 840 358	-	-
IT expenses	937 410	12 553 465	937 410	12 553 465
Indigent subsidy contribution	60 411 531	8 775 182	60 341 570	8 769 728
Insurance	30 627 897	53 130 951	30 409 607	51 444 127
Levies	3 709 408	905 808	3 709 408	905 808
MSIG expenditure	7 338 290	-	-	-
Magazines, books and periodicals	(924)	21 517	(924)	21 517
Mayoral fund	49 308	687 323	-	-
Motor vehicle expenses	320 720	206 994	320 720	206 994
Other expenses	1 137 269	412 879	1 137 269	412 879
Penalties and interest	20 686 548	8 431 913	20 686 548	8 431 913
Disaster emergency funding	3 223 678	-	3 223 678	-
Postage and courier	3 533 007	2 522 978	3 533 007	2 522 978
Printing and stationery	379 794	209 626	-	-
Promotions and sponsorships	5 207 024	723 548	5 207 024	633 660
Protective clothing	3 010 711	713 551	3 010 711	713 551
Rehabilitation of landfill site	-	1 490 490	-	174 700
Refuse	4 409 668	3 773 697	4 409 668	3 773 697
Research and development costs	28 654	44 027	-	-
Security (Guarding of municipal property)	5 984 727	-	5 984 727	-
Staff welfare	943 610	5 375 555	936 027	5 305 555
Subscriptions and membership fees	237 307	220 417	237 307	220 417
Telephone and fax	4 646 113	4 494 328	3 098 384	3 004 070
Training	10 383 344	2 601 974	10 301 716	2 455 258
Transport and freight	3 151 425	3 036 558	-	-
Travel - local	410 653	30 960	410 653	30 960
Mayoral funds	70 936	645 628	-	524 895
Venue expenses	-	85 200	-	85 200
Veterinary department	-	2 759 000	-	2 759 000
	331 262 757	**179 306 393**	**307 504 465**	**162 469 889**

IT expenses: The municipality's IT department is outsourced in the current financial year.

Community development and training: Community development and training consist of wage earners ,catering and decor of public campaigns.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

42. Cost of sales

43. Auditors' remuneration

Fees	14 045 701	8 816 952	6 948 854	5 629 657

44. Cash generated from operations

Deficit	(850 660 631)	(130 574 492)	(829 077 725)	(135 579 315)
Adjustments for:				
Depreciation and amortisation	279 488 973	279 223 707	278 694 414	278 171 069
Loss on sale of assets	663 251	6 256 477	663 251	6 256 477
Impairment deficit	449 071	22 191	-	-
Debt impairment	254 820 931	(162 696 232)	254 820 931	(162 696 232)
Movements in retirement benefit assets and liabilities	2 525 000	(1 582 000)	2 525 000	(1 582 000)
Movements in provisions	890 474	1 994 873	890 474	1 994 873
Unwinding of interest	2 071 332	2 662 328	2 071 332	2 662 328
Changes in working capital:				
Inventories	150 895	190 318 679	144 327	189 876 637
Receivables from exchange transactions	(2 473 257)	(424 605)	(2 473 257)	(424 605)
Consumer debtors	(102 126 900)	(349 230 814)	(102 593 571)	(210 808 243)
Receivables from non-exchange transactions	92 143 195	(166 603 563)	95 253 315	(169 240 087)
Payables from exchange transactions	631 265 114	452 749 409	608 048 674	465 135 456
VAT	(99 871 532)	(54 884 422)	(100 045 618)	(55 304 252)
Unspent conditional grants and receipts	1 067 726	(694 271)	1 067 726	(694 271)
Consumer deposits	11 441	(11 560)	11 441	(11 560)
	210 415 083	**66 525 705**	**210 000 714**	**207 756 275**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

45. Other cash item 1

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	308 757 548	604 409 138	308 757 548	580 579 740
• Other financial assets	-	928 630	-	-
	308 757 548	**605 337 768**	**308 757 548**	**580 579 740**
Total capital commitments				
Already contracted for but not provided for	308 757 548	605 337 768	308 757 548	580 579 740

Authorised operational expenditure

Already contracted for but not provided for				
• Operating activities	50 432 987	-	50 432 987	-
Total operational commitments				
Already contracted for but not provided for	50 432 987	-	50 432 987	-

Total commitments

Total commitments				
Authorised capital expenditure	308 757 548	605 337 768	308 757 548	580 579 740
Authorised operational expenditure	50 432 987	-	50 432 987	-
	359 190 535	**605 337 768**	**359 190 535**	**580 579 740**

This committed expenditure relates to property, plant and equipment will be financed by grants,available bank facilities accumulated surpluses,existing cash resources, funds internally generated etc.

The property, plant and equipment consist of electrification, sewer, paved roads and water.

The operating activities consist of IT, events management services, insurance and valuation roll.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

47. Contingencies

Detail of contingencies:	Claims of damages	Claims for services rendered	Claims for arrears payment	Labour court cases	Total
Lehloma Samuel Molefe	27 139	-	-	-	27 139
P Mabeleng and S Wanyane	2 001 000	-	-	-	2 001 000
Phokana Tolong / MAP	25 000	-	-	-	25 000
MAP/ Manana Francina Mohomane	-	10 000	-	-	10 000
MAP/Illegal Occupiers Farm Uitkoms	100 000	-	-	-	100 000
Transnet Soc Limited t/a Transnet Pipelines	17 675 427	-	-	-	17 675 427
Bibi Cash and Carry Supermarket	27 386 219	-	-	-	27 386 219
Bibi Cash and Carry (PTY) LTD//MAP	130 000	-	-	-	130 000
Diagoeregoere Business Project Mal198/1	16 000 000	-	-	-	16 000 000
Lina Molaba/ JM Molaba	-	10 000	-	-	10 000
MAP/Eskom	-	5 143 047	-	-	5 143 047
Maluti Glass and Aluminium Wholesalers CC	-	7 212	-	-	7 212
Water and Sanitation Services South Africa (PTY) LTD/MAP	-	1 131 999	-	-	1 131 999
BZL petroleum	-	-	20 000	-	20 000
PF France N.O and Barras N.O	-	-	496 443	-	496 443
Tjhabalala R.J//MAP	-	-	-	250 000	250 000
L Greyling No	-	-	-	1 486 139	1 486 139
H Langeveldt	-	-	-	2 291 981	2 291 981
SAMWU obo Selepe H.T and 13 Others	-	-	-	50 000	50 000
Tshidi Tala Evans//MAP	-	-	-	50 000	50 000
Rens Thozamile Gladstone//MAP	-	-	-	50 000	50 000
SAMWU obo Tsotsotso T.V//MAP	-	-	-	50 000	50 000
SAMWU obo Tsotetsi and 5 Others//MAP	-	-	-	60 000	60 000
SAMWU obo Lebuso H.H and 12 Others//MAP	-	-	-	55 000	55 000
SAMWU obo M.N Sekosana//MAP	-	-	-	60 000	60 000
Thulisile Mlangeni Doris//MAP	-	-	-	50 000	50 000
Mahlasinyane Daniel Mosia//MAP	-	-	-	50 000	50 000
Telkom SA	-	-	-	1	1
Mashee	-	-	-	700 000	700 000
Mohapi	-	-	-	500 000	500 000
Rons and others	-	-	-	550 000	550 000
Malefane	-	-	-	100 000	100 000
Rampa	-	-	-	1 000 000	1 000 000
S.A Human Rights Commission	-	-	-	30 000	30 000

Notes to the Annual Financial Statements

47. Contingencies (continued)

		Economic entity		Controlling entity	
		2016 R	2015 R	2016 R	2015 R
MAP//Mpho Nicollas Sekosana	-	-	-	15 000	15 000
MAP//Bikie Jacob Makhubo	-	-	-	20 000	20 000
SAMWU obo Madlenkosi Dlamini//MAP	-	-	-	164 672	164 672
Motshoeneng Dikotsi A and 13 Others//MAP	-	-	-	1	1
MC Mositi/ML Mosia	-	-	-	50 000	50 000
MAP/Rural maintenance	-	10 000 000	-	-	10 000 000
MAP/Rural maintenance	-	8 700 000 000	-	-	8 700 000 000
MAP V.Liza Mokato and others	-	-	-	1 500 000	1 500 000
DJ Thateng t/a sheriffs of witseshoek	-	453 135	-	-	453 135
MAP/Isaac mohau moahluli	-	59 920	-	-	59 920
MT Mopeli & 2 others	300 000	-	-	-	300 000
CM maqelepo	200 000	-	-	-	200 000
State/Moeketsi Lebesa & 2 others	4 862	-	-	-	4 862
SAMWU obo Selepe MN & 13 others	-	-	-	90 000	90 000
Kgasebe Thabo & 12 others	-	-	-	50 000	50 000
South African Revenue Service	-	9 975 000	-	-	9 975 000
	63 849 647	**8 726 790 313**	**516 443**	**9 272 794**	**8 800 429 197**

Summary of claims:

	2016 R	2015 R	2016 R	2015 R
Claims for damages	63 849 647	46 489 358	63 849 647	46 489 358
Claims of services rendered	8 726 790 313	436 949	16 815 313	436 949
Claims on arrear payments	516 443	1 094 554	516 443	1 094 554
Labour matters	9 272 794	5 955 966	9 272 794	5 955 966
Rural Maintenance breach of contract	-	2 000 000 000	8 700 000 000	2 000 000 000
	8 800 429 197	**2 053 976 827**	**8 790 454 197**	**2 053 976 827**

Contingent assets

Detail of contingencies:	Claims of damages	Claims for services rendered	Claims for arrears payment	Labour court cases	Total
PF France N.O and Barras N.O	-	-	(981 821)	-	(981 821)
Diagoeregoere: Claim by MAP for overpayment	-	-	(304 106)	-	(304 106)
MAP/Illegal Occupiers Farm Uitkoms	(60 000)	-	-	-	(60 000)
	(60 000)	**-**	**(1 285 927)**	**-**	**(1 345 927)**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2016 R	2015 R	2016 R	2015 R

48. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report page 10
Controlled entities	Maluti-a-Phofung Water (SOC) Ltd - Refer to note
	S57 managers - Note 29 12
Members of key management	Councillor - Note 30

Related party balances

	Economic entity 2016 R	Economic entity 2015 R	Controlling entity 2016 R	Controlling entity 2015 R
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Maluti-a-Phofung Water (SOC) Ltd			(90 786 643)	(87 270 400)
Maluti-a-Phofung Water (SOC) Ltd - insurance			8 039 590	8 039 590
Maluti-a-Phofung Water (SOC) Ltd - electricity			13 350 149	13 350 149
Maluti-a-Phofung Water (SOC) Ltd - municipal services			10 714 984	10 714 984

Related party transactions

	Economic entity 2016 R	Economic entity 2015 R	Controlling entity 2016 R	Controlling entity 2015 R
Total service charges				
Maluti-a-Phofung Water (SOC) Ltd - water and sewer			44 816 706	39 419 241
Equitable share and DWA grant payment				
Maluti-a-Phofung Water (SOC) Ltd			95 000 000	88 500 000

The transactions that took place between the related parties are within the ordinary course of business and thus the intercompany transactions and balances have been disclosed for the users of the financial statements text

	Economic entity 2016 R	Economic entity 2015 R	Controlling entity 2016 R	Controlling entity 2015 R
Compensation to accounting officer and other key management				
Defined contribution plans	76 125	91 510	76 125	91 510

49. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance Revenue	Balance as previously reported	Prior period error	Reclassified	Total
Service charges	434 833 508	161 446 400	-	596 279 908
Recoveries	833 609	-	-	833 609
Rental income	850 030	-	-	850 030
Interest received - trading	16 771 406	(356 538)	-	16 414 868
Interest received - investments	1 115 593	-	-	1 115 593
Other income	447 422 417	-	-	447 422 417
Fines	879 568	-	-	879 568
Property rates	120 001 428	-	-	120 001 428
Government grants and subsidies	698 162 809	-	-	698 162 809
	1 720 870 368	**161 089 862**	**-**	**1 881 960 230**
Expenses				
Employee related cost	(336 338 870)	(1 205 027)	-	(337 543 897)
Remuneration of councilors	(23 289 808)	-	-	(23 289 808)
Depreciation and amortisation	(188 213 549)	1 041 350	-	(187 172 199)
Grant and subsidies paid	(100 222 159)	-	-	(100 222 159)
Finance cost	(4 689 472)	483 085	-	(4 206 387)
Debt impairment	149 670 608	-	-	149 670 608
Repairs and maintenance	(451 755 400)	(2 774 043)	(12 201 840)	(466 731 283)
Bulk purchases	(496 802 065)	30 841 696	-	(465 960 369)
Contracted services	(63 361 929)	(716 232)	(2 026 859)	(66 105 020)
General expenses	(220 782 689)	52 951 579	(11 475 282)	(179 306 392)
Community project expenditure	(249 764 845)	167 782 021	25 703 981	(56 278 843)
Impairment loss	(22 191)	-	-	(22 191)
	(1 985 572 369)	**248 404 429**	**-**	**(1 737 167 940)**
Operating (deficit) / surplus	(264 801 129)	410 699 318	-	145 898 189
Inventories losses/write-downs	(189 915 292)	-	-	(189 915 292)
Loss on sale of assets	-	6 256 477	-	6 256 477
	(454 716 421)	**416 955 795**	**-**	**(37 760 626)**

Statement of financial position Current assets	Balance as previously reported	Prior period error	Reclassification	Total
Inventory	5 361 977	(62 395)	-	5 299 582
Receivables from exchange transactions	329 546 260	166 716 526	-	496 262 786
VAT receivable	56 726 859	(8 830 947)	-	47 895 912
Receivables from non-exchange transactions	199 671 152	-	-	199 671 152
Cash and cash equivalents	6 733 731	-	-	6 733 731
Short term portion of long term loan	1 213 652	-	-	1 213 652
Other receivables from exchange transaction	6 861 562	-	-	6 861 562
Other financial assets	12 572	-	-	12 572
	606 127 765	**157 823 184**	**-**	**763 950 949**

49. Prior period errors (continued)

Non-current assets				
Investment property	42 163 277	(4 481 896)	31 897 894	69 579 275
Property, plant and equipment	2 999 060 140	33 185 317	(31 897 894)	3 000 347 563
Intangible assets	1 478	1 630 155	-	1 631 633
Heritage assets	4	(4)	-	-
Other financial assets	786 642	(356 538)	-	430 104
Investments in controlled entities	300	-	-	300
Long term receivable	361 409	-	-	361 409
	3 042 373 250	**29 977 034**	**-**	**3 072 350 284**
Current liabilities				
Bank overdraft	17 095	-	-	17 095
Other financial liability	3 617 406	-	-	3 617 406
Payables from exchange transactions	1 332 415 553	(90 988 652)	-	1 241 426 901
Consumer deposits	11 721 031	-	-	11 721 031
Employee benefit obligations	4 227 000	-	-	4 227 000
Unspent conditional grants	1 786 608	-	-	1 786 608
	1 353 784 693	**(90 988 652)**	**-**	**1 262 796 041**
Non-current liabilities				
Other liabilities	9 872 082	(795 001)	-	9 077 081
Employee benefit obligations	24 803 000	-	-	24 803 000
Provisions	19 307 350	21 709 116	-	41 016 466
	53 982 432	**20 914 115**	**-**	**74 896 547**
Net assets				
Accumulated surplus - opening balance	2 538 774 041	242 632 012	-	2 781 406 053

1. Reversal of prior year interest provision

June 2015 DBSA payment was only paid in July 2015 (following financial year), the interest provision raised in the previous financial year had to be reversed.

Reversal of prior year interest provision				
Finance cost [SoFPer]	-	795 001	-	795 001
Other financial liabilities [SoFPos]	-	(795 001)	-	(795 001)
	-	**-**	**-**	**-**

2. No provision for outstanding payments to the Compensation Commissioner.

No provision for outstanding payments to the Compensation Commissioner - Prior year exception addressed in current year.

No provision for outstanding payments to the Compensation Commissioner				
General expenses (SoFPer)	-	438 630	-	438 630
General expenses (SoFPer)	-	4 386 307	-	4 386 307
Payables from exchange transactions (SoFPos)	-	(4 824 937)	-	(4 824 937)
	-	**-**	**-**	**-**

3. Income Fund Ltd) was overbilled in the 2013/2014 financial year and the reversal took place in the current year.

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49. Prior period errors (continued)

Account number 737513 (Synergy) - Income Fund Ltd) was overbilled in the 2013/2014 financial year and the reversal took place in the current year. The customer was overbilled by R161 446 399,20 and this amount was set off against electricity revenue in the current financial year.

Income Fund Ltd) was overbilled in the 2013/2014 financial year and the reversal took place in the current year.				
Service charges (SoFPer)	-	(161 446 399)	-	(161 446 399)
Consumer debtors(SoFPos)	-	161 446 399	-	161 446 399
	-	**-**	**-**	**-**

4.Reversal of prior year accrual - Bulk expenditure

Reversal of prior year accruals.

Reversal of prior year accrual - Bulk electricity				
Bulk purchases (SoFPer)	-	(30 841 696)	-	(30 841 696)
Finance cost (SoFPer)	-	(4 922 421)	-	(4 922 421)
VAT (SoFPos)	-	(4 317 837)	-	(4 317 837)
Trade creditors (SoFPos)	-	40 081 954	-	40 081 954
	-	**-**	**-**	**-**

5. Creditors at year end not complete

Additional provision for accruals and recognised the related expenditure, as the transactions relate to the 2014/2015 financial year, but was never recognised.

Statement of financial position				
Employee related cost (SoFPer)	-	1 205 027	-	1 205 027
Community project expenditure (SoFPer)	-	7 464 560	-	7 464 560
Repairs and maintenance (SoFPer)	-	3 468 065	-	3 468 065
Contracted services (SoFPer)	-	1 978 099	-	1 978 099
General expenses (SoFPer)	-	10 385 327	-	10 385 327
Inventories (SoFPos)	-	107 769	-	107 769
Trade payables (SoFPos)	-	(24 608 847)	-	(24 608 847)
	-	**-**	**-**	**-**

6.Share price was calculated using the incorrect share price

Share price was calculated using the incorrect share price. = 5926*6175c

7. Reversal of journal (A1516-60) transaction should not have passed the main store vote number.

Reversal of journal (A1516-60) transaction should not have passed the main store vote number.

Reversal of journal (A1516-60) transaction should not have passed the main store vote number.				
Payables (SoFPos)	-	107 769	-	107 769
Inventories (SoFPos)	-	(107 769)	-	(107 769)
	-	**-**	**-**	**-**

8. These expense were direct payment and not stores ordered items.

Notes to the Annual Financial Statements

49. Prior period errors (continued)

These expense were direct payment and not stores ordered items. Therefore stores can't issue it.

Statement of financial position				
General expenses (SoFPer)	-	62 395	-	62 395
Inventories (SoFPos)	-	(62 395)	-	(62 395)
	-	-	-	-

9. Correction of prior year 15 day provision

Correction of prior year 15 day provision.

Statement of financial position				
Service charges (SoFPer)	-	14 572 481	-	14 572 481
Consumer debtors (SoFPos)	-	(14 572 481)	-	(14 572 481)
	-	-	-	-

10. Prior year bulk purchase overstated

Prior year bulk purchase overstated, instead of taking only June 2016 interest into account the whole years interest was taken into account.

49. Prior period errors (continued)

Statement of financial position				
General expense (SoFPer)	-	(64 663 683)	-	(64 663 683)
Payables (SoFPos)	-	64 663 683	-	64 663 683
	-	-	-	-

11. Prior year provision for landfill site understated - 2015

Landfill provision was done based on assumptions which is not relevant at that stage. This resulted in the liability to be understated as well as accumulated surplus and finance cost.

Prior year provision for landfill site understated - 2015				
Finance cost(SoFPer)	-	2 755 536	-	2 755 536
Provision(SoFPos)	-	(14 342 731)	-	(14 342 731)
Accumulated surplus	-	9 904 238	-	9 904 238
Property, Plant and Equipment (SoFPos)	-	1 682 957	-	1 682 957
	-	-	-	-

12. Reversal of provision of the 2014-2015 year.

Reversal of the prior year provision. The 15 days provision was not correctly accounted for in the previous year.

Reversal of provision of the 2014 - 2015 year				
Accumulated surplus	-	14 572 481	-	14 572 481
Consumer debtor(SoFPos)	-	(14 572 481)	-	(14 572 481)
	-	-	-	-

13. 2015 Asset reclassification and movement.

2015 Assets and movement.

2015 Asset reclassification and movement				
Accumulated surplus(SoFPos)	-	(193 788 851)	-	(193 788 851)
Heritage assets(SoFPos)	-	(4)	-	(4)
Community project expenditure(SoFPer)	-	(163 108 676)	-	(163 108 676)
Depreciation and amortisation(SoFPer)	-	109 358 892	-	109 358 892
Finance cost(SoFPer)	-	(2 350 412)	-	(2 350 412)
Intangible assets(SoFPos)	-	1 630 155	-	1 630 155
Investment property(SoFPos)	-	16 522 047	-	16 522 047
Loss on disposal of assets and liabilities(SoFPer)	-	6 298 270	-	6 298 270
Payables from exchange(SoFPos)	-	14 632 130	-	14 632 130
Property, plant and equipment(SoFPos)	-	620 797 269	-	620 797 269
Repair and maintenance(SoFPer)	-	11 477 820	-	11 477 820
Vat payable(SoFPos)	-	757 019	-	757 019
Contracted services(SoFPos)	-	871 277	-	871 277
General expense (SoFPer)	-	(146 164 858)	-	(146 164 858)
Other income	-	(114 843)	-	(114 843)
Revaluation surplus	-	(276 825 208)	-	(276 825 208)
	-	**(7 973)**	**-**	**(7 973)**

50. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing risks.

The municipal entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipal entity’s financial performance. The municipal entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Entity treasury identifies, evaluates and hedges financial risks in close cooperation with the municipal entity’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

Further quantitative disclosures are included throughout the annual financial statements.

Liquidity risk

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

The table below analyses the economic entity’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Controlling entity

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 750 272	7 123 250	-	-
Payables from exchange transactions	1 928 113 971	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 617 406	1 978 565	7 098 516	-
Payables from exchange transactions	1 378 944 333	-	-	-
Bank overdraft	17 095	-	-	-

Notes to the Annual Financial Statements

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50. Risk management (continued)

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	Economic entity - 2016	Economic entity - 2015	Controlling entity - 2016	Controlling entity - 2015
Cash and cash equivalent	8 051 665	6 733 731	7 895 386	6 728 773
Receivables from exchange transactions	22 208 337	22 240 548	9 257 832	6 861 562
Receivables from non-exchange transactions	15 340 131	199 671 152	13 832 575	177 071 362
Consumer debtors	254 401 549	495 459 063	254 401 549	495 459 063
Other financial assets	-	12 572	-	-

Market risk

Interest rate risk

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

51. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of R 690 703 640 and that the municipality's total liabilities exceed its assets by R 1 458 855 463.

- The municpality pwed Eskom R1345 455 697 (2015: R876 660 767) as at 30 June 2016.
- The municipality has been deducting pension, medical aid and pay as you earn from employee's salaries, but has been unable to pay over R7752 202 (2015: R3387 002) of these amounts deducted to the relevant third parties as disclosed in note 56.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung.

52. Events after the reporting date

On the 02 September 2016 a robbery took place at MAP, and an amount of R105 641.55 was stolen from the municipality cashiers.

53. Unauthorised expenditure

Opening balance	1 529 196 023	571 320 555	1 529 196 023	571 320 555
Financial services	499 659 016	48 365 462	499 659 016	48 365 462
Municipal infrastructure	2 284 684	909 106 518	2 284 684	909 106 518
Public safety and transport	-	403 488	-	403 488
Legislative authority	34 049 918	-	34 049 918	-
Housing sparial development planning	3 648 292	-	3 648 292	-
Electricity department	209 626 412	-	209 626 412	-
	2 278 464 345	**1 529 196 023**	**2 278 464 345**	**1 529 196 023**

54. Fruitless and wasteful expenditure

Opening balance	107 602 744	33 621 822	105 116 350	31 557 459
Incurred in the current year	160 490 325	73 980 922	143 935 032	73 558 891
	268 093 069	**107 602 744**	**249 051 382**	**105 116 350**

Analysis of expenditure

Interest paid to Eskom due to late payment	141 193 063	72 926 563	141 191 748	72 926 563
Interest paid to Auditor general due to late payment	448 301	140 172	99 794	140 172
Interest paid to Telkom due to late payment	10 962	23 618	10 962	23 618
Interest paid to SARS due to late payment	4 348 848	-	2 286 688	-
Interest paid to Compensation Commissioner due to late payment	345 840	438 630	345 840	438 630
Interest paid to Wesbank (Petrol cards) due to late payment	-	29 908	-	29 908
Interest payable DWA	14 123 240	-	-	-
Interest paid Sanlam pension fund	14 135	-	-	-
Interest paid SAMWU national provident fund	435	-	-	-
Interest paid late payment of salaries	5 500	-	-	-
	160 490 324	**73 558 891**	**143 935 032**	**73 558 891**

55. Irregular expenditure

Opening balance	102 595 919	70 661 039	97 646 574	66 884 679
Add: Irregular Expenditure - current year	155 940 430	31 934 880	117 547 638	30 761 895
Less: Amounts condoned in the current year	3 200 384	-	-	-
	261 736 733	**102 595 919**	**215 194 212**	**97 646 574**

Analysis of expenditure awaiting condonation per age classification

Notes to the Annual Financial Statements

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55. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Details of irregular expenditure is available on request. All irregular expenditure pertains to the supply chain management policy of the municipality not being follow. For details on the irregular report for the financial year 2015/2016, For more details refer to Appendix H.	Irregular expenditure is currently under investigation.	117 793 878
Details of irregular expenditure is available on request. All irregular expenditure pertains to the supply chain management policy of the municipality not being follow. For details on the irregular report for the financial year 2014/2015, For more details refer to Appendix H.	Irregular expenditure is currently under investigation.	143 942 855
		261 736 733

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	18 919	75 716	-	-
Current year subscription / fee	3 748 260	3 461 598	3 410 854	3 237 560
Amount paid - current year	(3 547 184)	(1 458 188)	(3 237 560)	(1 253 069)
Amount paid - previous years	(18 919)	(75 716)	-	-
	201 076	**2 003 410**	**173 294**	**1 984 491**

Contributions to SALGA mainly comprise of annual membership fees paid to SALGA.

Audit fees

Opening balance	(212 726)	6 058 302	(3 013 037)	4 347 856
Current year subscription / fee	9 908 449	8 816 952	5 532 248	5 629 657
Amount paid - current year	(12 268 715)	(9 973 517)	(8 732 736)	(7 524 646)
Amount paid - previous years	4 864 918	(5 465 904)	5 913 032	(5 465 904)
	2 291 926	**(564 167)**	**(300 493)**	**(3 013 037)**

PAYE and UIF

Opening balance	7 004 695	4 512 963	3 387 002	2 910 292
Current year subscription / fee	60 725 273	49 031 603	46 452 070	38 477 973
Amount paid - current year	(50 891 428)	(42 026 908)	(39 072 498)	(35 090 971)
Amount paid - previous years	(4 664 805)	(4 512 963)	(3 013 372)	(2 910 292)
	12 173 735	**7 004 695**	**7 753 202**	**3 387 002**

Pension and medical aid deductions

Opening balance	8 482 725	5 552 743	4 911 633	3 980 814
Current year subscription / fee	81 161 028	68 824 506	58 779 207	56 080 521
Amount paid - current year	(74 241 500)	(60 341 781)	(53 644 680)	(51 168 888)
Amount paid - previous years	(7 507 524)	(5 552 743)	(4 911 633)	(3 980 814)
	7 894 729	**8 482 725**	**5 134 527**	**4 911 633**

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mokoena LE	-	6 600	6 600
Ntamane VM	-	11 694	11 694
Motaung PM	-	17 954	17 954
Ntamane VM	-	3 504	3 504
Mohlekwa TR	-	116	116
Mokoena LE	207	2 451	2 658
Motaung PM	-	294	294
Mositi MC	1 152	6 948	8 100
Lebesana PJ	2 026	2 297	4 323
Mosikidi TJ	868	1 482	2 350
Motinyane T	563	4 867	5 430
Khoapa NA	-	434	434
Mpakathe TS	1 745	49 712	51 457
Thebe PI	203	451	654
Mboso LA	3 146	4 275	7 421
Letooane SG	390	1 955	2 345
Komako A	632	52 536	53 168
Mahlambi N	4 850	21 228	26 078
Ntamane VM	3 008	119 692	122 700
	18 790	**308 490**	**327 280**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gamede BF	-	1 308	1 308
Khoapa NA	913	-	913
Komako A	7 163	43 477	50 640
Letooane SG	521	1 412	1 933
Mahlambi N	2 545	14 108	16 653
Mohlekwa TR	408	-	408
Motaung PM	769	2 074	2 843
Mosikidi TJ	1 764	3 992	5 756
Mositi MC	127	20 954	21 081
Motinyane T	590	6 742	7 332
Mpakhathe TS	874	43 595	44 469
Thebe PI	338	-	338
	16 012	**137 662**	**153 674**

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

30 June 2016			Highest outstanding amount	Aging (in days)
Mokoena LE	-	-	6 599	90
Ntamane VM	-	-	11 694	90
Motaung PM	-	-	17 954	90
Ntamane VM	-	-	3 504	90

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

Mohlekwa TR	-	-	116	90
Mokoena LE	-	-	2 658	90
Motaung PM	-	-	294	90
Mositi MC	-	-	8 100	90
Lebesana PJ	-	-	4 324	90
Mosikidi TJ	-	-	2 350	90
Motinyane T	-	-	5 431	90
Khoapa NA	-	-	434	90
Mpakathe TS	-	-	51 457	90
Thebe PI	-	-	655	90
Mboso LA	-	-	7 420	90
Letooane SG	-	-	2 345	90
Komako A	-	-	53 168	90
Mahlambi N	-	-	26 078	90
Ntamane VM	-	-	122 700	90
	-	**-**	**327 281**	**1 710**

30 June 2015			Highest outstanding amount	Aging (in days)
Gamede BF	-	-	1 308	90
Khoapa NA	-	-	913	30
Komako A	-	-	42 477	90
Letooane SG	-	-	1 412	90
Mahlambi N	-	-	14 108	90
Mohlekwa TR	-	-	408	30
Motaung PM	-	-	2 074	90
Mosikidi TJ	-	-	3 992	90
Mositi MC	-	-	20 954	90
Motinyane T	-	-	6 742	90
Mpakhathe TS	-	-	43 595	90
Thebe PI	-	-	338	30
	-	**-**	**138 321**	**900**

57. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9 873 522	12 694 487	9 873 522	12 694 487

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.

58. Deviation from supply chain management regulations

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

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

Classification of deviation	Number	Rand value
Emergency	108	28 745 441
Impractical / impossible to follow procurement process	11	17 142 058
Sole provider	3	460 335
Other	17	934 857
	139	**47 282 691**

59. Inventories losses/write-downs

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60. Budget differences

Material differences between budget and actual amounts

Service charges: There are still a lot of illegal connections and tempering on electricity meters. The municipality has however appointed two service providers to deal with the physical verification of meters around MAP both conventional and prepaid meters.

The lack of water supply in communities in the current year resulted in less chargers being billed.

Rental income: Rental income depends on the demand from the community to rent out municipal facilities.

Interest received: Interest received on outstanding debtor's arrears was budgeted separately from the interest received on investment at 25 000 000. The difference will be due to a month that was not billed interest because of late billing which is covered in our credit control policy. Interest received on investment depends on the municipal cash flow, the more the funds the more possibilities of investing but if there is no money there will be nothing to invest.

Traffic fines: Traffic fines are not negotiated at the courts of law but paid directly into the municipality bank account.

Property rates: Property rates are properties still under municipal name which in the process of being transferred to the rightful owners and the ongoing property verification between the municipality and public works.

Government grants and subsidies: The municipality was allocated a lot of grants but was adjusted with the adjustment DORA. Also see 43.21.3. MAP water equitable share allocation was reduced, the budget was adjusted due to cashflow problems.

Employee related costs: Budgeted vacant position that were not filled during the financial year in question, retirements and deaths occurred.

Community projects expenditure: Some projects were budgeted under own source, they could not be implemented due to cash flow problems.

Finance costs: Interest was paid in July because of cash flow however it should have actually be paid in June 2016.

Bad debts written off: Bad debts written off includes indigent book written off and incentives offered to consumers.

Repairs and maintenance: Not a lot of municipal assets needed to be repaired and it will also depend on the municipal cash flow.

Bulk purchases: Bulk purchases depends on the municipal cash flow and financials are based on accruals so the municipality tried to pay according to the repayment plan which was around R194 million for the financial year 2015/ 2016.

Contracted services: Contracted services depends on the cash flow of the municipality. The compilation of the creditor's age analysis will help the municipality in prioritising when funds are available.

Transfers and subsidies: Transfer and subsidies includes payments to map water and free basic services to registered indigent, the difference is contributed to the three months that free basic electricity couldn't be provided for wrong meters provided by applicants during registrations so a service provider had to trace and validate meters.

General expenditure: General expenditure includes many items like bursaries, specials programmes which payments to small projects contracts like Epwps, food for waste ect. was not budgeted for.