Vhembe District Municipality
Annual Financial Statements
for the year ended 30 June 2016

General Information

Nature of business and principal activities	Providing municipal services
Registered office	Old Paliament Building Thohoyandou 0950
Postal adress	Private Bag X5006 Thohoyandou 0950
Website	www.vhembe.gov.za
Bankers	First National Bank
Auditors	Auditor General of South Africa

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Act
RBIG	Regional Bulk Infrastructure Grant
EPWP	Extended Public Work Programme

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 municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 56, in terms of Section 126(1) of the Municipal Finance Management and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The annual financial statements set out on pages 5 to 62, and appendixes as set out on page 64 to 77 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:

Ngoepe N.A
Acting Municipal Manager

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

Net surplus of the municipality was R 205 045 966 (2015: surplus R 264 296 947).

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordancee with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Generally Recognised Accounting Practices issued by the Accounting Standards Board and the prescribed framework by National Treasury.

6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Chairperson and chief executive

Mr K.P Ravhudzulo was the chairperson of the audit committee for the year under review.

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

7. Bankers

The municipality has its primary bank account with First National Bank.

8. Auditors

The municipality is audited by the Auditor General of South Africa.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	3	36 289 773	37 085 021
Receivables from exchange transactions	4	22 061 287	59 945 759
Receivables from non-exchange transactions	5	293 793 452	253 914 460
VAT receivable	6	42 293 459	40 959 290
Cash and cash equivalents	7	170 973 041	85 883 698
		565 411 012	**477 788 228**
Non-Current Assets			
Investment property	8	13 458 119	13 689 369
Property, plant and equipment	9	2 303 095 201	2 308 078 228
Intangible assets	10	1 395 134	1 526 885
		2 317 948 454	**2 323 294 482**
Total Assets		**2 883 359 466**	**2 801 082 710**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	559 577 097	424 631 402
Taxes and transfers payable (non-exchange)		51 499 561	-
Consumer deposits	12	4 155 772	3 462 451
Unspent conditional grants and receipts	13	112 405 350	174 699 561
Provisions	14	47 264 876	64 855 546
Finance lease obligation	15	726 893	1 637 087
		775 629 549	**669 286 047**
Non-Current Liabilities			
Finance lease obligation	15	-	328 491
Total Liabilities		**775 629 549**	**669 614 538**
Net Assets		**2 107 729 917**	**2 131 468 172**
Accumulated surplus	48	2 107 729 917	2 131 468 172

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Sale of water	16	91 578 005	87 208 471
Rendering of services		212 190	437 149
Rental of facilities and equipment	52	36 806	38 174
Interest received - trading		15 337 945	14 296 415
Certificate of acceptance		427 675	274 952
Fire services		182 586	168 938
Sale of tender documents		407 377	597 339
Other income	17	2 267 516	4 154 880
Interest received - investment	31	22 967 725	11 664 473
Total revenue from exchange transactions		**133 417 825**	**118 840 791**
Revenue from non-exchange transactions			
Transfer revenue			
Other income	18	986 782 564	1 057 013 292
Sundry income		51 483	1 697 791
Gains on creditors write off		-	14 026 853
Total revenue from non-exchange transactions		**986 834 047**	**1 072 737 936**
Total revenue	19	**1 120 251 872**	**1 191 578 727**
Expenditure			
Employee related costs	20	(411 083 709)	(395 226 942)
Remuneration of councillors	21	(11 400 362)	(12 398 686)
Administration	22	(6 515 319)	(4 809 652)
Depreciation and amortisation	23	(114 791 653)	(176 097 735)
Impairment loss/ Reversal of impairments	24	-	(1 043 700)
Finance costs	25	(787 021)	(1 068 296)
Debt Impairment	26	(99 472 643)	(17 531 373)
Collection costs		(324 478)	(1 033 716)
Repairs and maintenance		28 363 829	(82 095 521)
Auditors remuneration	28	(2 655 983)	(2 506 245)
General Expenses	27	(296 538 567)	(293 181 124)
Total expenditure		**(915 205 906)**	**(986 992 990)**
Operating surplus		**205 045 966**	**204 585 737**
Surplus for the year		**205 045 966**	**204 585 737**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	**1 926 882 443**	**1 926 882 443**
Changes in net assets		
Surplus for the year	204 585 729	204 585 729
Total changes	204 585 729	204 585 729
Balance at 01 July 2015	**1 902 683 951**	**1 902 683 951**
Changes in net assets		
Surplus for the year	205 045 966	205 045 966
Total changes	205 045 966	205 045 966
Balance at 30 June 2016	**2 107 729 917**	**2 107 729 917**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		52 255 363	45 942 452
Grants		986 782 564	1 116 708 856
Interest income		22 967 725	25 960 887
Other receipts		3 534 150	(10 015 048)
		1 065 539 802	1 178 597 147
Payments			
Employee costs		(420 963 031)	(425 092 945)
Suppliers		(219 231 876)	(321 225 460)
Finance costs		(787 021)	(1 068 296)
		(640 981 928)	(747 386 701)
Net cash flows from operating activities	29	**424 557 874**	**431 210 446**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(168 675 438)	(398 208 042)
Proceeds from sale of property, plant and equipment	9	-	800 048
Purchase of intangible assets	10	-	(18 754)
Proceeds from sale of other intangible assets	10	-	1 967 290
Proceeds from sale of other asset 3		-	53 466 767
Other cash item		(167 459 036)	-
Net cash flows from investing activities		**(336 134 474)**	**(341 992 691)**
Cash flows from financing activities			
Finance lease payments		(3 334 057)	(3 334 057)
Net increase/(decrease) in cash and cash equivalents		**85 089 343**	**85 883 698**
Cash and cash equivalents at the beginning of the year		85 883 698	-
Cash and cash equivalents at the end of the year	7	**170 973 041**	**85 883 698**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	61 567 650	-	**61 567 650**	91 578 005	**30 010 355**	
Rendering of services	245 685	-	**245 685**	212 190	**(33 495)**	
Rental of facilities and equipment	1 993	-	**1 993**	36 806	**34 813**	
Interest received (trading)	-	-	-	15 337 945	**15 337 945**	
Certificate of acceptance	-	-	-	427 675	**427 675**	
Fire services	54 616	-	**54 616**	182 586	**127 970**	
Sale of tender documents	174 697	-	**174 697**	407 377	**232 680**	
Other income	-	-	-	2 267 516	**2 267 516**	
Interest received - investment	11 507 105	-	**11 507 105**	22 967 725	**11 460 620**	
Total revenue from exchange transactions	**73 551 746**	-	**73 551 746**	**133 417 825**	**59 866 079**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 458 747 999	-	**1 458 747 999**	986 782 564	**(471 965 435)**	
Sundry income	102 965	-	**102 965**	51 483	**(51 482)**	
Total revenue from non-exchange transactions	**1 458 850 964**	-	**1 458 850 964**	**986 834 047**	**(472 016 917)**	
Total revenue	**1 532 402 710**	-	**1 532 402 710**	**1 120 251 872**	**(412 150 838)**	
Expenditure						
Personnel	(413 096 894)	-	**(413 096 894)**	(411 083 709)	**2 013 185**	
Remuneration of councillors	(11 400 363)	-	**(11 400 363)**	(11 400 362)	**1**	
Administration	(7 800 000)	-	**(7 800 000)**	(6 515 319)	**1 284 681**	
Depreciation and amortisation	(36 553 630)	-	**(36 553 630)**	(114 791 653)	**(78 238 023)**	
Finance costs	(456 368)	-	**(456 368)**	(787 021)	**(330 653)**	
Bad debts written off	-	-	-	(99 472 643)	**(99 472 643)**	
Collection costs	(552 957)	-	**(552 957)**	(324 478)	**228 479**	
Repairs and maintenance	(80 576 289)	-	**(80 576 289)**	28 363 829	**108 940 118**	
Bulk purchases	(2 698 833)	-	**(2 698 833)**	(2 655 983)	**42 850**	
General Expenses	(139 933 360)	-	**(139 933 360)**	(296 538 567)	**(156 605 207)**	
Total expenditure	**(693 068 694)**	-	**(693 068 694)**	**(915 205 906)**	**(222 137 212)**	
Surplus before taxation	**839 334 016**	-	**839 334 016**	**205 045 966**	**(634 288 050)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**839 334 016**	-	**839 334 016**	**205 045 966**	**(634 288 050)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	36 289 774	**36 289 774**	Final budget
Receivables from exchange transactions	-	-	-	22 061 287	**22 061 287**	Final budget
Receivables from non-exchange transactions	-	-	-	293 793 452	**293 793 452**	Final budget
VAT receivable	-	-	-	42 293 459	**42 293 459**	Final budget
Cash and cash equivalents	-	-	-	170 973 041	**170 973 041**	Final budget
	-	**-**	**-**	**565 411 013**	**565 411 013**	
Non-Current Assets						
Investment property	-	-	-	13 458 119	**13 458 119**	Final budget
Property, plant and equipment	833 101 637	-	**833 101 637**	2 303 095 201	**1 469 993 564**	Final budget
Intangible assets	-	-	-	1 395 134	**1 395 134**	Final budget
	833 101 637	**-**	**833 101 637**	**2 317 948 454**	**1 484 846 817**	
Total Assets	**833 101 637**	**-**	**833 101 637**	**2 883 359 467**	**2 050 257 830**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	726 893	**726 893**	Final budget
Payables from exchange transactions	-	-	-	559 577 089	**559 577 089**	Final budget
Taxes and transfers payable (non-exchange)	-	-	-	51 499 561	**51 499 561**	
Consumer deposits	-	-	-	4 155 772	**4 155 772**	Final budget
Unspent conditional grants and receipts	-	-	-	112 405 350	**112 405 350**	Final budget
Provisions	-	-	-	47 264 876	**47 264 876**	Final budget
	-	**-**	**-**	**775 629 541**	**775 629 541**	
Total Liabilities	**-**	**-**	**-**	**775 629 541**	**775 629 541**	
Net Assets	**833 101 637**	**-**	**833 101 637**	**2 107 729 926**	**1 274 628 289**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	833 101 637	-	**833 101 637**	2 107 729 926	**1 274 628 289**	Final budget

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	45 942 452	-	**45 942 452**	45 942 452	-	Final budget
Grants	1 116 708 856	-	**1 116 708 856**	1 116 708 856	-	Final budget
Other receipts	(10 015 048)	-	**(10 015 048)**	(10 015 048)	-	Final budget
	1 152 636 260	**-**	**1 152 636 260**	**1 152 636 260**	**-**	
Payments						
Employee costs	(425 092 945)	-	**(425 092 945)**	(425 092 945)	-	Final budget
Suppliers	(359 984 536)	-	**(359 984 536)**	(359 984 536)	-	Final budget
	(785 077 481)	**-**	**(785 077 481)**	**(785 077 481)**	**-**	
Net cash flows from operating activities	**367 558 779**	**-**	**367 558 779**	**367 558 779**	**-**	
Net increase/(decrease) in cash and cash equivalents	367 558 779	-	**367 558 779**	367 558 779	-	Final budget
Cash and cash equivalents at the end of the year	**367 558 779**	**-**	**367 558 779**	**367 558 779**	**-**	
Reconciliation						

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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 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 judgement 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:

Trade receivables

The municipality assesses its trade 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 a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

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

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of 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. 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, together with 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 dependant on the availability of data and the nature of the impairment.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 14 - Provisions.

Useful lives of waste and water network and other assets

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

Effective interest rate

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

Allowance for doubtful debts

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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.The recoverability percentage on receivables is calculated annual per receivables category.

1.3 Investment property

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - buildings	30-65 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.

Accounting Policies

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

when an item of property,plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment 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 have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinete
Buildings	Straight line	30 years
Plant and machinery	Straight line	6 years
Furniture and fixtures	Straight line	7-10
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3-7 years
IT equipment	Straight line	3 years
Infrastructure	Straight line	
• Roads and Paving		30 years
• Water		12-20
• Sewerage		12-20
Community	Straight line	
• Building		20 years
• Recreational facilities		20-30 years
Other property, plant and equipment	Straight line	
• Other items of property, plant and equipment		2-5 years
• Specialised plant and equipment		10-15
• Specialised vehicles		10 years

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

1.5 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Accounting Policies

1.5 Intangible assets (continued)

Item	Useful life
Computer software, other	3-10 years

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:

Accounting Policies

1.6 Financial instruments (continued)
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transaction	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Other financial liability2	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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

Financial assets measured at amortised cost:

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

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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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.

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

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

1.6 Financial instruments (continued)

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

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

1.8 Inventories

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.9 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

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 municipality would 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.

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.11 Share capital / contributed capital

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

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

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

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

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

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

1.13 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Interest, royalties and dividends

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

1.16 Borrowing costs

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

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

1.17 Comparative figures

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

1.18 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.

1.19 Fruitless and wasteful expenditure

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

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.

1.20 Irregular expenditure

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

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

Accounting Policies

1.20 Irregular expenditure (continued)

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

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

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

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

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Research and development expenditure

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

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

1.24 Related parties

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

Accounting Policies

1.24 Related parties (continued)

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

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

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

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.26 Value-added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	
• GRAP 20: Related parties	01 April 2017	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	
• GRAP 108: Statutory Receivables	01 April 2016	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	
• GRAP 109: Accounting by Principals and Agents	01 April 2017	
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	

3. Inventories

	2016	2015
Water	1 352 321	945 813
Consumable stores	1 745 318	1 858 714
Maintenance material	33 192 134	34 280 494
	36 289 773	**37 085 021**

4. Receivables from exchange transactions

	2016	2015
Consumer debtors - Thulamela	186 401 529	163 154 352
Consumer debtors - Makhado	86 176 370	68 807 969
Consumer debtors - Musina	14 572 748	13 346 587
Consumer debtors - Mutale	23 822 315	19 249 847
Rental debtors	392 245	392 245
Provision for debt impairment	(289 303 920)	(205 005 241)
	22 061 287	**59 945 759**

Housing rental

	2016	2015
3 to 6 months	-	392 245

Figures in Rand	2016	2015

4. Receivables from exchange transactions (continued)

Water

Current (0-30 days)	7 384 667	3 997 740
31-60 days	6 637 785	5 585 075
61-90 days	6 110 963	5 048 290
91-120 days	4 836 808	4 856 933
>120 days	286 002 678	245 070 717
Provision for debt impairment	(289 303 920)	(205 005 241)
	21 668 981	**59 553 514**

Summary of debtors by customer classification

Government

Current (0 -30 days)	1 725 829	363 404
31-60 days	802 976	369 703
61-90 days	307 863	401 176
91-120 days	103 236	276 789
>120 days	11 377 622	9 459 369
	14 317 526	**10 870 441**

Businesses

Current (0- 30 days)	812 282	409 217
31-60 days	802 976	307 614
61-90 days	171 103	414 919
91-120 days	152 665	464 955
>120 days	6 788 698	8 132 165
	8 727 724	**9 728 870**

Household

current (0- 30 days)	4 846 556	3 184 307
31-60 days	5 031 833	4 915 260
61-90 days	5 631 997	4 232 728
91-120 days	4 580 907	4 116 588
>120 days	267 836 358	227 510 837
	287 927 651	**243 959 720**

Reconciliation of allowance for impairment

Opening balance	(205 005 241)	(187 473 868)
Provision for impairment	(84 298 679)	(17 531 373)
	(289 303 920)	**(205 005 241)**

5. Receivables from non-exchange transactions

Sundry debtors	13 710 596	16 797 164
Staff debtors	-	(1 360 941)
Debtors - Mutale	1 373 245	1 324 295
Debtors - Musina	278 709 611	237 153 942
	293 793 452	**253 914 460**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. VAT receivable

VAT	42 293 459	40 959 290

VAT is payable on payment basis and claimed from SARS when a payment is made.

Opening balance	45 625 626	45 625 626
Provision for impairment	-	83 786 375
Amounts written off as uncollectible	-	(13 973 492)
Unused amounts reversed	-	(41 830 654)
Unwinding of discount	-	(36 158 353)
	45 625 626	**37 449 502**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000
Bank balances	170 639 989	85 573 374
Short-term deposits	331 052	308 324
	170 973 041	**85 883 698**

Cash and cash equivalent comprises of cash on hand and cash with banks.Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

The municipality had the following bank accounts

8. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	14 800 000	(1 341 881)	13 458 119	14 800 000	(1 110 631)	13 689 369

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	13 689 369	(231 250)	13 458 119

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	13 920 616	(231 247)	13 689 369

Pledged as security

No assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Investment property (continued)

The municipality has buildings and reservoirs on land it does not have ownership of. The process of obtaining ownership or permission is underway.

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

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	6 350 000	-	6 350 000	6 350 000	-	6 350 000
Buildings	74 035 864	(19 887 853)	54 148 011	74 035 863	(17 413 230)	56 622 633
Plant and machinery	6 604 107	(1 771 928)	4 832 179	6 604 107	(1 403 802)	5 200 305
Furniture and fixtures	8 707 579	(3 884 933)	4 822 646	8 681 438	(3 401 310)	5 280 128
Motor vehicles	54 668 163	(14 851 876)	39 816 287	47 025 333	(11 952 165)	35 073 168
Office equipment	1 153 695	(538 816)	614 879	1 153 695	(474 547)	679 148
IT equipment	5 912 935	(2 191 099)	3 721 836	1 783 162	(1 473 401)	309 761
Infrastructure	2 096 477 336	(1 121 193 568)	975 283 768	2 037 069 170	(1 016 877 067)	1 020 192 103
Community	20 508 278	(2 810 396)	17 697 882	20 508 278	(2 124 914)	18 383 364
Other property, plant and equipment	24 517 272	(10 851 776)	13 665 496	23 432 433	(9 516 705)	13 915 728
Leased Assets	7 497 581	(6 904 262)	593 319	7 497 581	(5 821 064)	1 676 517
Capital Work In Progress	1 181 548 898	-	1 181 548 898	1 144 395 373	-	1 144 395 373
Total	**3 487 981 708**	**(1 184 886 507)**	**2 303 095 201**	**3 378 536 433**	**(1 070 458 205)**	**2 308 078 228**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	6 350 000	-	-	-	-	6 350 000
Buildings	56 622 633	-	-	-	(2 474 622)	54 148 011
Plant and machinery	5 200 305	-	-	-	(368 126)	4 832 179
Furniture and fixtures	5 280 128	-	-	26 143	(483 625)	4 822 646
Motor vehicles	35 073 168	7 642 831	-	-	(2 899 712)	39 816 287
Office equipment	679 148	-	-	-	(64 269)	614 879
IT equipment	309 761	4 125 262	-	4 512	(717 699)	3 721 836
Infrastructure	1 020 192 103	59 408 166	-	-	(104 316 501)	975 283 768
Community	18 383 364	-	-	-	(685 482)	17 697 882
Other property, plant and equipment	13 915 728	937 489	-	147 350	(1 335 071)	13 665 496
Leased Assets	1 676 517	-	-	-	(1 083 198)	593 319
Capital Work In Progress	1 144 395 373	96 561 690	(59 408 165)	-	-	1 181 548 898
	2 308 078 228	**168 675 438**	**(59 408 165)**	**178 005**	**(114 428 305)**	**2 303 095 201**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	-	-	6 350 000	-	-	-	-	-	6 350 000
Buildings	58 142 632	917 288	-	-	-	-	(2 437 287)	-	56 622 633
Plant and machinery	5 567 425	-	-	-	-	-	(367 120)	-	5 200 305
Furniture and fixtures	5 819 291	112 096	-	-	-	-	(651 259)	-	5 280 128
Motor vehicles	32 221 855	5 859 402	-	-	-	(618 929)	(2 389 160)	-	35 073 168
Office equipment	728 659	18 550	-	-	-	-	(68 061)	-	679 148
IT equipment	436 907	-	-	-	-	-	(127 146)	-	309 761
Infrastructure	2 349 681 847	-	-	-	53 015 663	(1 316 661 965)	(64 799 742)	(1 043 700)	1 020 192 103
Community	1 494 554	-	17 572 419	-	-	-	(683 609)	-	18 383 364
Other property, plant and equipment	15 718 223	-	-	-	-	-	(1 802 495)	-	13 915 728
Leased Assets	4 924 354	-	-	(800 048)	-	-	(2 447 789)	-	1 676 517
Capital Work In Progress	666 673 746	367 378 287	-	-	(53 015 663)	163 359 003	-	-	1 144 395 373
	3 141 409 493	**374 285 623**	**23 922 419**	**(800 048)**	**-**	**(1 153 921 891)**	**(75 773 668)**	**(1 043 700)**	**2 308 078 228**

Ownership

Vhembe District Municipality has buildings structures such as Mtititi, Makuya MPCC, Musina fire station, Disaster Muledane and Water reservoirs on the land it does not have ownership of. The process of obtaining the ownership and rights of the land is currently underway.

The municipality performed the residual value movement on vehicles and assessment of other movable assets. It was consindered that the assets with zero book value will be sold in the following financial year, hence the assessment was not effected as those amounts are not significant.

No property, plant and equipment were pledged as security for liabilities.

A register consisting 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

Figures in Rand	2016	2015

10. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 413 059	(1 017 925)	1 395 134	2 413 058	(886 173)	1 526 885

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	1 526 886	(131 752)	1 395 134

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	3 607 687	18 754	(1 967 290)	(132 265)	1 526 886

11. Payables from exchange transactions

	2016	2015
Trade payables	33 168 672	32 666 826
Payments received in advanced - contract in process	2 966 509	-
Other accrued expenses	67 117 537	48 449 014
Accrued bonus	8 680 672	8 356 590
Deposits received	558 322	657 876
Retention	82 749 798	93 797 002
Creditors - Musina	286 814 442	237 365 138
Creditors - Mutale	1 082 640	1 082 640
Creditors - Makhado	73 102 209	-
Sundry deposits	3 336 296	2 256 316
	559 577 097	**424 631 402**

12. Consumer deposits

	2016	2015
Deposit - Musina	4 155 772	3 462 451

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2016	2015
Water and operation subsidy	39 756 709	35 000 000
Municipal Infrastructure Grant	64 333 872	139 005 565
Financial municipal grant	41 879	286 887
Municipal Systems Improvement Grant	59 259	407 109
MISA grant	1 653 500	-
Municipal Water Infrusttructure Grant	6 560 131	-
	112 405 350	**174 699 561**

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

13. Unspent conditional grants and receipts (continued)

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

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

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

14. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Closing balance
Leave provision	32 889 664	5 652 499	38 542 163
Performance bonus	417 882	(124 138)	293 744
Long service award	31 548 000	(23 119 031)	8 428 969
	64 855 546	**(17 590 670)**	**47 264 876**

Reconciliation of provisions - 2015

	Opening Balance	Movements	Reversed during the year	Closing balance
Leave provision	37 964 628	980 031	(6 054 995)	32 889 664
Performance bonus	668 198	(250 316)	-	417 882
Long service award	27 748 000	3 800 000	-	31 548 000
	66 380 826	**4 529 715**	**(6 054 995)**	**64 855 546**

Performance Bonus provision

Performance bonuses accrue to senior managers on an annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

15. Finance lease obligation

	2016	2015
Minimum lease payments due		
- within one year	726 893	1 637 087
- in second to fifth year inclusive	-	903 780
Present value of minimum lease payments	**726 893**	**2 540 867**
Non-current liabilities	-	328 491
Current liabilities	726 893	1 637 087
	726 893	**1 965 578**

The average lease term is 3 years and the average effective borrowing rate is 4.5%. Interest rate is fixed at the contract date. All leases have fixed repayment terms and there are no escalations. No arrangements have been entered into for contigent rent. Obligations under finance leases are not secured by the lessor's title to the leased asset.

16. Sale of water

	2016	2015
Musina	41 903 908	36 004 251
Thulamela	25 590 285	24 778 956
Makhado	19 849 493	21 957 702
Mutale	4 234 319	4 467 562
	91 578 005	**87 208 471**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Other income

Water connections	2 265 523	3 981 775
Hiring of halls	1 993	2 332
Carnival Festival	-	170 773
	2 267 516	**4 154 880**

Figures in Rand	2016	2015

18. Government grants and subsidies

Operating grants		
Equitable share	681 496 997	570 687 275
Transport grant	1 944 000	1 948 000
Expanded public works programme grant	4 344 000	4 872 342
Financial Management Grant	1 283 121	963 113
MISA grant	252 417	3 422 583
Municipal System Improvement grant	880 741	526 891
Water Operation Subsidy Grant	17 243 291	7 511 256
	707 444 567	589 931 460
Capital grants		
Municipal Infrastructure grant	255 666 128	453 955 555
Regional Bulk Infrastructure grant	-	11 603 273
Rural Sanitation Development grant	-	1 523 004
Municipal Water Infrastructure grant	23 671 869	-
	279 337 997	467 081 832
	986 782 564	**1 057 013 292**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	305 285 567	1 057 013 292
Unconditional grants received	681 496 997	570 687 275
	986 782 564	**1 627 700 567**

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Disaster relief grant

Balance unspent at beginning of year	-	18 342 275
Conditions met - transferred to revenue	-	(18 342 275)
	-	-

This grant is intended to provide for immediate release of funds for disaster response.

Conditions still to be met - remain liabilities (see note 13).

Water and operation subsidy

Balance unspent at beginning of year	35 000 000	7 511 256
Current-year receipts	57 000 000	35 000 000
Conditions met - transferred to revenue	(17 243 291)	(7 511 256)
Amount withdrawn by treasury	(35 000 000)	-
	39 756 709	**35 000 000**

To subsidise the staff related costs, direct operating and maintenance costs, refurbishment of water services schemes transferres to water boards, and will facilitate the transfer of schemes.

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

18. Government grants and subsidies (continued)

Expanded Public Works Programme

	2016	2015
Balance unspent at beginning of year	-	1 176 342
Current-year receipts	4 344 000	3 696 000
Conditions met - transferred to revenue	(4 344 000)	(4 872 342)
	-	-

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

Conditions still to be met - remain liabilities (see note 13).

Municipal infrastructure grant

	2016	2015
Balance unspent at beginning of year	139 005 565	86 451 120
Current-year receipts	300 000 000	506 510 000
Conditions met - transferred to revenue	(235 666 128)	(453 955 555)
Amount withdrawn by treasury	(139 005 565)	-
	64 333 872	**139 005 565**

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

Conditions still to be met - remain liabilities (see note 13).

Rural sanitation development

	2016	2015
Balance unspent at beginning of year	-	1 523 004
Conditions met - transferred to revenue	-	(1 523 004)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Accelerated community infrastructure programme

Conditions still to be met - remain liabilities (see note 13).

Transport grant

	2016	2015
Current-year receipts	1 944 000	1 948 000
Conditions met - transferred to revenue	(1 944 000)	(1 948 000)
	-	-

The grant is intended to provide physical integration of public transport infrastructure, including non-motorised transport infrastructure, fare collection infrastructure, unified branding and information and unified institutional management of network infrastructure.

Conditions still to be met - remain liabilities (see note 13).

Financial municipal grant

	2016	2015
Balance unspent at beginning of year	286 887	-
Current-year receipts	1 325 000	1 250 000
Conditions met - transferred to revenue	(1 283 121)	(963 113)
Amount withdrawn by treasury	(286 887)	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

18. Government grants and subsidies (continued)

	41 879	**286 887**

This grant is intended to promote and support reforms in financial mangement by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Conditions still to be met - remain liabilities (see note 13).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	407 109	-
Current-year receipts	940 000	934 000
Conditions met - transferred to revenue	(880 741)	(526 891)
Amount withdrawn by treasury	(407 109)	-
	59 259	**407 109**

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies.

Conditions still to be met - remain liabilities (see note 13).

Regional Bulk Infrastructure grant

Current-year receipts	-	11 031 460
Conditions met - transferred to revenue	-	(11 603 273)
Other	-	571 813
	-	-

The grant is intended to to fund the social component of regional bulk water and waste water projects approved by the Department of Water Affairs.

Conditions still to be met - remain liabilities (see note 13).

MWIG

Current-year receipts	30 232 000	-
Conditions met - transferred to revenue	(23 671 869)	-
	6 560 131	-

19. Revenue

Service charges - Water	91 578 005	87 208 471
Rendering of services	212 190	437 149
Rental of facilities and equipment	36 806	38 174
Interest received (trading)	15 337 945	14 296 415
Certificate of acceptance	427 675	274 952
Fire services	182 586	168 938
Sale of tender documents	407 377	597 339
Water connections	2 267 516	4 154 880
Interest received - investment	22 967 725	11 664 473
Government grants & subsidies	986 782 564	1 057 013 292
Sundry income	51 483	1 697 791
Gains on creditors write off	-	14 026 853
	1 120 251 872	**1 191 578 727**

Figures in Rand	2016	2015

19. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges - Water	91 578 005	87 208 471
Rendering of services	212 190	437 149
Rental of facilities and equipment	36 806	38 174
Interest received (trading)	15 337 945	14 296 415
Certificate of acceptance	427 675	274 952
Fire services	182 586	168 938
Sale of tender documents	407 377	597 339
Water connection	2 267 516	4 154 880
Interest received - trading	22 967 725	11 664 473
	133 417 825	**118 840 791**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	986 782 564	1 057 013 292
Sundry income	51 483	1 697 791
Gains on creditors write off	-	14 026 853
	986 834 047	**1 072 737 936**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Employee related costs

Basic	276 075 235	263 648 481
Bonus	20 309 061	19 611 743
Medical aid - company contributions	10 241 164	9 449 302
UIF	791 602	590 905
SDL	3 375 657	3 195 090
Leave pay provision charge	7 296 181	958 535
Other short term costs	154 524	24 700
Defined contribution plans	41 770 811	39 822 210
Travel, motor car, accommodation, subsistence and other allowances	18 074 323	19 311 881
Overtime payments	18 970 682	19 802 576
Long-service awards	917 844	3 800 000
Housing benefits and allowances	13 090 168	15 011 520
Standby allowance	16 457	-
	411 083 709	**395 226 943**

Remuneration of municipal manager

Annual Remuneration	312 623	142 390
Contributions to UIF, Medical and Pension Funds	892	-
Reimbursive Allowance	-	71 411
	313 515	**213 801**

Remuneration of chief finance officer

Annual Remuneration	-	545 077
Car Allowance	-	150 964
Housing allowance	-	144 663
Performance Bonuses	-	46 498
Cell phone allowance	-	22 000
Contributions to UIF, Medical and Pension Funds	-	22 543
Reimbursive allowance	-	119 327
Back pay	-	32 702
Other	-	5 639
Acting allowance	146 773	-
	146 773	**1 089 413**

Remuneration of technical manager

Annual Remuneration	-	413 580
Car Allowance	-	85 432
Performance Bonuses	-	13 580
Contributions to UIF, Medical and Pension Funds	-	40 000
Housing allowance	-	62 650
Reimbursive allowance	-	57 283
Cell phone allowance	-	16 000
Other	-	3 677
Acting Allowance	52 815	-
	52 815	**692 202**

Figures in Rand	2016	2015

20. Employee related costs (continued)

Remuneration of general manager - Community services

Remuneration of general manager: Planning

Annual Remuneration	597 649	555 803
Housing allowance	103 570	98 405
Cell phone allowance	24 000	24 000
Contributions to UIF, Medical and Pension Funds	160 858	-
Reimbursive allowance	18 831	89 107
Perfomance bonus	50 632	47 320
Car allowance	-	107 913
Back pay	13 547	12 035
Other	3 669	7 308
	972 756	**941 891**

Remunaration of general manager: Office of the Mayor

Annual Remuneration	-	88 789
Car Allowance	-	32 800
Contributions to UIF, Medical and Pension Funds	-	6 561
Reimbursive Allowance	-	18 628
Backpay	-	35 885
Leave Pay	-	102 282
Acting Allowance	-	17 942
	-	**302 887**

Remunaration of general manager: Corporate services

Annual Remuneration	640 659	595 802
Car Allowance	134 875	128 148
Performance Bonuses	54 276	50 725
Housing allowance	238 846	226 933
Cell phone allowance	24 000	25 000
Reimbursive allowance	11 463	59 114
Back pay	16 866	13 401
Other	-	3 472
	1 120 985	**1 102 595**

21. Remuneration of councillors

Executive Mayor	828 889	795 167
Chief Whip	687 292	733 285
Mayoral Committee Members	3 610 041	4 067 484
Speaker	411 229	436 050
Councillors	5 862 911	6 366 700
	11 400 362	**12 398 686**

22. Administrative expenditure

Project Management	6 515 319	4 809 652

23. Depreciation and amortisation

Property, plant and equipment	114 791 653	176 097 735

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Impairment of assets

Impairments		
Property, plant and equipment	-	1 043 700

25. Finance costs

Finance leases	250 415	561 579
Fair value adjustments on payables	3 765	-
Interest on late payments	532 841	506 717
	787 021	**1 068 296**

26. Bad debt

Debt impairment	99 472 643	17 531 373

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

27. General expenses

Advertising	278 473	646 903
Assessment rates & municipal charges	753 548	1 500 801
Bank charges	232 937	290 598
Sanitation Expenses	124 841 938	37 546 567
Bereavement costs	46 190	12 073 406
Consulting and professional fees	17 811 661	37 632 417
Consumables	32 451	342 770
Debt collection	1 981 057	5 325 637
Entertainment	95 906	156 292
Lease rentals on operating lease	1 882 683	16 495 047
Insurance	1 012 816	801 935
Conferences and seminars	117 740	275 970
IT expenses	3 077 930	2 937 522
Marketing	791 452	2 241 463
Levies	-	325 873
Magazines, books and periodicals	-	72 404
IDP Review Costs	85 850	222 762
Licences	318 906	188 148
Fuel and oil	2 253 037	4 901 777
Postage and courier	4 396	2 347
Licences	1 807 018	2 821 557
Promotions	-	1 250
Protective clothing	588 850	1 682 753
Security (Guarding of municipal property)	59 950	282 354
Software expenses	-	2 135 490
Staff welfare	372 157	296 740
Planning forums	4 773 859	4 390 738
Telephone and fax	5 085 451	4 912 125
Training	4 151 839	5 299 198
Travel - local	1 608 525	4 049 657
Travel - overseas	-	5 952
Raw water material	659 151	(175 099)
Rations	1 905 569	2 314 527
Rations	48 441 156	52 431 525
Water services expenditure	46 278 823	45 476 574
Uniforms	452 980	495 071
Accomodation	1 271 258	2 807 423
Community programmes	5 278 914	8 079 527
Summit	-	62 670
Mayor's bursary fund	644 206	592 966
Planning forums	-	187 713
Events	359 829	1 224 731
Bereavement costs	-	799
Billing charges	-	81 630
Chemicals	16 359 513	27 275 840
IDP Review Costs	393 045	328 542
Marketing	427 503	2 138 232
	296 538 567	**293 181 124**

28. Auditor's remuneration

Audit fees	2 655 983	2 506 245

Figures in Rand	2016	2015

29. Cash generated from operations

Surplus	205 045 966	204 585 737
Adjustments for:		
Depreciation and amortisation	114 791 653	176 097 735
Impairment deficit	-	1 043 700
Debt impairment	99 472 643	17 531 373
Movements in provisions	(17 590 670)	(1 525 280)
Changes in working capital:		
Inventories	795 248	(9 292 952)
Receivables from exchange transactions	37 884 472	(28 602 538)
Consumer debtors	(99 472 643)	(17 531 373)
Other receivables from non-exchange transactions	(39 878 992)	(52 250 731)
Payables from exchange transactions	134 945 695	73 120 923
VAT	(1 334 169)	9 198 760
Taxes and transfers payable (non exchange)	51 499 561	-
Unspent conditional grants and receipts	(62 294 211)	59 695 564
Consumer deposits	693 321	(860 472)
	424 557 874	**431 210 446**

30. Public contributions and donations

31. Investment revenue

Interest revenue		
Bank	22 967 725	11 664 473

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. Contingencies

Contingent Liabilities:

MICS empowerment	1 508 531	1 508 531
Sibadela NN	260 000	260 000
All connections	-	12 036 120
Synergy Income Fund Ltd	-	279 505
Capstain Trading	608 660	608 660
Musitha ME	-	82 510
Tricks Wought	1 419 870	1 419 970
Getusdsburg Community	27 984 000	27 984 000
Thiambi Winnie Phuluwa	200 000	200 000
Generic Core/Denrob Business Enterprise	904 924	904 924
Gudani Security	2 300 064	-
Nemugumoni	200 000	-
Sharon pipeline specialists	2 488 975	-
Tinyiko Manganyi OBO Manganyi Andile	100 000	-
Konani Trading	783 864	-
Housing allowance	1 900 000	-
Nsikazi.com	3 708 956	-
Limpopo Legal Solutions	200 000	-
Konani Trading	595 650	-
Tshianeo Holdings	200 000	-
Limpopo Legal Solutions	150 000	-
	45 513 494	**45 284 220**

NW Civils

NW Civils was awarded a contract to erect a reservoir and litigated against VDM relating to a dispute on that the Municipality was in breach of the contract and were seeking damages to the amount of R5 866 748.44 together with interest. The case took five (5) years to finalize. The Municipality lost the case and an amount of R14, 046, 312.45 was granted to the applicant and VDM paid as per court order in April 2015. Therefore, the case is closed.

Van der Westhuizen

The municipality has received a claim from the attorneys of Van Der Westhuizen. The claim is for the damage on the crops that was as a result of construction of a road alongside a tomato farm. The municipality will only have an obligation to settle the claim when the claimant submits proof and basis of claim. The amount of damages is R 1,824,443 and the payment to be made to the applicant.

MICS empowerment

MICS EMPOWERMENT is litigating against the Municipality as they are alleging that they have serviced water equipment which was taken from the National Department of Water Affairs as the former Water Service Authority. The Municipality is disputing claim as it does not have a contractual relationship with MICS EMPOWERMENT. They are suing for R1,508,531.33. Disbursements for the case are estimated at R300, 000.00. The case is still pending.

Sibandela NN

Mr Sibadela NN is claiming that his house is water damaged due to the Municipality's reservoir that is leaking. He is claiming R 260 000. 00 from the Municipality. There is no disbursement for now as the case is still dealt with internally including resolving it amicably by repairing the damage if liable. The case is pending.

All Connections

All Connections was awarded a one year training contract, as per appointment letter, by the Municipality. They are claiming that the advert indicated that it will be a three year contract. However, the appointment letter issued was specifically for one year subject to satisfactory performance the Municipality can renew. The claim against the Municipality is based on the allegations that the Municipality has terminated their contract unilaterally. The claimed amount is R12, 036,120.00. The disbursement amount is estimated at

32. **Contingencies (continued)**

Tshianeo Holdings
Tshianeo holdings is litigating against the municipality as they wanted the municipality to review and set aside the tender VDM/CORP/30/09/2014/02 which has been awarded to lateral unison insurance and declared the contract null and void.The municipality is defending the case.The estimated disbursement is R200 000.00. The case is still pending
Limpopo Legal Solutions
Limpopo legal solutions are litigating against the municipality as they are alleging the sewer blockage in malamulele area.They require the municipality to unblock such sewer immediately.The municipality is defending the case .The estimated disbursement is R200 000. The case is still pending
Limpopo Legal Solutions
Limpopo legal solutions are litigating against the municipality as they are alleging that in malamulele area there is no adequate sanitation. They wanted municipality to provide sanitation immedialtely. The municipality was defending the case. The estimated disbursement is R150 000.00. The case is still pending.

Capstain Trading

Capstain Trading is litigating against the Municipality and is disputing the validity of a cession that is purported to have been signed between the Capstain as the cedar and the third party. On the strength of the cession agreement the Municipality paid the third party an amount of R608, 660.42. The Municipality is defending the case. The estimated disbursement amount is R200, 000.00 and the case is pending.

Musitha ME

Musitha ME was involved in an accident and claim is that the motor vehicle of the Municipality was the sole cause of that accident. She is suing for R82, 509.53 from the Municipality. The estimated disbursement amount is R50, 000.00 and the case is pending.

Tricks Wought

Tricks Wrought instituted a claim of R1, 419, 871.00 due to the Municipality not honoring a cession agreement. The Municipality is disputing the claim. The estimated disbursement amount is R400, 000.00 and the case is pending.

Thiambi Winnie Phuluwa

Thiambi Winnie Phuluwa sued the Municipality for an amount of R200, 000.00 including her legal cost claiming that the motor vehicle of the Municipality was the sole cause of that accident. The estimated disbursement amount is R150, 000.00 and the case is pending.

Generic Core/Denrob Business Enterprises

Generic Core, a sub-contractor, is suing Denrob Business Enterprises for R904, 924.10 for the job done. The Municipality is a joinder due to a contractual relationship with Denrob Enterprises as the main contractor. The estimated disbursement is R400, 000.00 and the case is still pending.

Getrusburg Community Property Association

The Association is suing the Makhado Municipality for R27, 984, 000.00 for drawing borehole water from its premises without consent. Makhado Municipality has joined VDM as a Water Services Authority. The estimated disbursement is R700, 000.00 and the case is still pending.
Sharon Pipeline Specialists
Sharon pipeline is litigating against the municipality as they are alleging that they provided services and has been paid.Sharon is suing the municipality for an amount of R2 488 975.22. The municipality is defending the case. The estimated disbursement is R300 000.00. The case is still pending

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

33. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to note 20
Section 57 managers	Refer to note 21
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management] .
Post employment benefit plan for employees of entity and/or other related parties	Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity[Related party 1]

Municipality did not enter into business with the above members of the key management and their close family members.

34. Prior period errors

Inventory

Inventory was overstated in the accounting records of the municipality. Prior period journal was processed retrospectively to correct the misstatement.

Property, plant and equipment

The balance of PPE was restated retrospectively due to the following reasons:

Motor Vehicles transfered to the municipality in 2014/2015 financial year were understated in the municipality records. Prior period journal was processed restropectively to correct the mistatement
Motor vehicles purchased in 2014/15 financial year were overstated by cost not qualifying for capitalization. in the municipality records.Prior period journal was processed restropectively to correct the mistatements.

Leased assets balance was also restated due to incorrect calculation of amortisation schedules. Lease amortisation schedules were recaculated and prior period journal was processed restrospectively to correct the mistatement.

Intangible assets
Intangible assets were overstated by intangibles assets not in existence
Intangible assets were not completely recorded in the accounting records of the municipality. Prior period journal was processed retrospectively to correct the mistatements.

Provisions
Leave provision was adjusted in the prior year as per leave provision schedule.

Notes to the Annual Financial Statements

34. Prior period errors (continued)

Inventory

Inventory was overstated in the accounting records of the municipality. Prior period journal was processed retrospectively to correct the misstatement.

Property, plant and equipment

The balance of PPE was restated retrospectively due to the following reasons:

Motor Vehicles transfered to the municipality in 2014/2015 financial year were understated in the municipality records. Prior period journal was processed restropectively to correct the mistatement
Motor vehicles purchased in 2014/15 financial year were overstated by cost not qualifying for capitalization. in the municipality records.Prior period journal was processed restropectively to correct the mistatements.

Leased assets balance was also restated due to incorrect calculation of amortisation schedules. Lease amortisation schedules were recaculated and prior period journal was processed restrospectively to correct the mistatement.

Intangible assets
Intangible assets were overstated by intangibles assets not in existence
Intangible assets were not completely recorded in the accounting records of the municipality. Prior period journal was processed retrospectively to correct the mistatements.

Provisions
Leave provision was adjusted in the prior year as per leave provision schedule.

Payables from exchange transactions

Intermunicipal payable balance to local municiaplities were understated.Prior period journal was processed restropectively to correct the mistatement.

Statement of financial position		
Property, plant and equipment	(1 295 077 451)	-
Inventory	(8 861 757)	-
Vat receivable	3 509 788	-
Intangible asset	(1 804 622)	-
Consumer deposits	(924 523)	-
Provision	(6 054 995)	-
Finance lease obligation	(7 554 799)	-
Statement of Financial Performance		
Depreciation and Armotisation	99 627 384	-

35. Risk management

Liquidity risk

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

Interest rate risk

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

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Credit risk

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

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

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

Financial instrument	2016	2015
Receivable from exchange transaction	61 933 273	59 945 759
Receivable from non-exchange transaction	292 432 511	253 914 460
Cash and cash equivalent	170 902 610	85 883 698

36. Financial sustainability

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

Current Liabilities exceeds current assets by R 193 125 360 (2014: 157,705,466)
Treasury disapproved the roll-over of R 154,600,000 and directed the municipality to repay the amount by the 23 October 2015. An appeal was transmitted to NT requesting that the funds be paid over a longer period. In response, the NT agreed that the municipality should repay funds in three equal installments of R 51. 6 million to be deducted from the equitable share allocation transfers (November 2015, March 2016 and July 2016).)
77% of receivable from exchange transactions are provided for possible impairment.

Other Indicators

Possible outflow of resources due to the commitments disclosed in note 43.

Turnaround plan

The municipality will implement a turnaround plan to improve the financial sustainability as follows:
a) implement cost containment measures to eliminate waste and expenditure on non-essential areas such as consultancy fees, travel and accommodation, catering,advertising and event costs;
b) Proper record keeping be finalised in accordance with prescribed norms and standards;
c) Utilise term contractors for emergency procurement only;
d) Maintain an effective, efficient and transparent systems. internal controls and operational measures;
e) Collect irrecoverable debt by implementing credit control measures;
f) Prevent unathorised, irregularor wasteful expenditure and other losses.
g) Utilise transversal contracts for fleet procurement and computers;
h) Procurement of bulk specialised material directly from suppliers as per National Treasury approval;
i) Place a moratorium on filling of non-critical posts and restructure for improved effeciencies and productivity;
j) Conduct quarterly ratio analysis to test financial sustainability in order to mitigate accordingly.
k) The municipality has commenced with revenue collection. Bills were distributed for August and September 2015.

37. Events after the reporting date

Management is not aware of any events that occurred after year end that may have an impact on the financial statements.

38. Unauthorised expenditure

Opening Balance	376 174 995	118 167 381
Incurred during the year	144 309 808	182 007 714
Non cash items-Depreciation and Amortisation	78 238 023	75 999 900
	598 722 826	**376 174 995**

During the current year and the prior year the municipality incurred unauthorised expenditures. In terms of Section 32 of the MFMA the council appoint a committee to investigate these. The investigations are still underway and no condonment, write off or recovery has been made of these expenses.

39. Fruitless and wasteful expenditure

Opening Balance	39 510 106	8 377 775
Incurred during the year	494 472	31 132 331
	40 004 578	**39 510 106**

During the year and the prior year the municipality incurred unauthorised, irregular and fruitless expenditures. In terms of Section 32 of the MFMA the council appoint a committee to investigate these. The investigations are still underway and no condonment, write off or recovery has been made of these expenses.

40. Irregular expenditure

Opening balance	475 394 175	270 418 873
Add: Irregular Expenditure - current year	138 990 291	204 975 302
	614 384 466	**475 394 175**

Analysis of expenditure awaiting condonation per age classification

Details of irregular expenditure – current year

During the current year and the prior year the municipality incurred irregular expenditures. In terms of section 32 of the MFMA the council appoint a commitee to investigate these. The council will appoint the commitee to investigate.

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	4 283 417
Amount paid - current year	-	(4 283 417)
	-	-

Audit fees

Current year subscription / fee	2 617 610	2 143 498
Amount paid - current year	(2 617 610)	(2 143 498)
	-	-

PAYE and UIF

Current year subscription / fees	46 977 091	47 673 570
Amount paid - current year	(46 977 091)	(47 673 570)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	51 985 704	50 620 426
Amount paid - current year	(51 985 704)	(50 620 426)
	-	-

VAT

VAT receivable	42 293 459	40 959 290

Deviation

Incident

Current year	7 521 723	1 616 926
Noted by council	(7 521 723)	(1 616 926)
	-	-

42. Distribution losses

Reconciliation of water losses:

Figures in Rand

42. Distribution losses (continued)

Opening Stock	945 813	356 797
Add: Water production	462 616 522	465 599 370
Less: Closing water inventory	(1 110 278)	945 813
Less: Billing for the year	(91 578 005)	(87 208 471)
Less: Portion subsidies	(3 593 246)	(3 506 777)
	367 280 806	**376 186 732**

43. Commitments

Capital commitments

Already contracted for but not provided for		
• Infrastructure	631 501 990	697 431 633
Total capital commitments		
Already contracted for but not provided for	631 501 990	697 431 633

Operational commitments

Already contracted for but not provided for		
• Authorised orders	-	10 172 615

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

44. Other financial assets

45. Consumer debtors disclosure

46. Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

Management has taken a decision to dispose of a significant asset /or a group of assets and liabilities /or a component of the entity.

47. Acquisitions with a view to its subsequent disposal

48. Accumulated surplus

49. Other financial liabilities

50. Financial instruments disclosure

51. Other revenue

Other income - (rollup)	2 267 516	4 154 880

52. Rental of facilities and equipment

Premises		
Premises	36 806	38 174

53. Decommissioning, restoration and environmental rehabilitation funds

The municipality is a contributor to the following fund(s): Fund 1 and Fund 2.

Notes to the Annual Financial Statements

Figures in Rand

54. Budget differences

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Infrastructure														
Sewerage Mains & Purification	308 204 953	-	-	-	-	-	308 204 953	(64 965 943)	-	-	(13 870 423)	-	(78 836 366)	229 368 587
Water Mains & Purification	1 134 410 653	32 499 590	-	-	-	-	1 166 910 243	(101 069 369)	-	-	(22 811 635)	-	(123 881 004)	1 043 029 239
Reservoirs – Water	1 149 712 520	19 781 979	-	-	-	-	1 169 494 499	(105 652 762)	-	-	(23 788 764)	-	(129 441 526)	1 040 052 973
Water Meters	107 037 846	734 094	-	-	-	-	107 771 940	(24 980 388)	-	-	(5 336 419)	-	(30 316 807)	77 455 133
Under construction	666 673 746	282 999 185	-	(53 015 663)	84 379 102	-	981 036 370	-	-	-	-	-	-	981 036 370
	3 366 039 718	336 014 848	-	(53 015 663)	84 379 102	-	3 733 418 005	(296 668 462)	-	-	(65 807 241)	-	(362 475 703)	3 370 942 302

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Computer Equipment	1 783 162	4 125 262	-	-	-	4 512	5 912 936	(1 473 401)	-	-	(717 698)	-	(2 191 099)	3 721 837
Furniture & Fittings	8 681 438	-	-	-	-	26 143	8 707 581	(3 401 310)	-	-	(483 623)	-	(3 884 933)	4 822 648
Office Equipment	1 153 695	-	-	-	-	-	1 153 695	(474 547)	-	-	(64 270)	-	(538 817)	614 878
Plant and Machiney	6 604 107	-	-	-	-	-	6 604 107	(1 403 802)	-	-	(368 126)	-	(1 771 928)	4 832 179
Motor Vehicles	47 025 332	7 642 834	-	-	-	-	54 668 166	(11 952 165)	-	-	(2 899 712)	-	(14 851 877)	39 816 289
Other Assets - Leased	7 497 581	-	-	-	-	-	7 497 581	(5 821 064)	-	-	(1 083 198)	-	(6 904 262)	593 319
Other PPE	23 432 433	937 489	-	-	-	147 360	24 517 272	(9 516 705)	-	-	(1 335 071)	-	(10 851 776)	13 665 496
	96 177 748	12 705 585	-	-	-	178 005	109 061 338	(35 142 585)	-	-	(7 227 352)	-	(42 369 937)	66 691 401

Appendix B

June 2016

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	3 462 217 466	348 720 433	-	(53 015 663)	84 379 102	178 005	3 842 479 343	(331 811 047)	-	-	(73 034 593)	-	(404 845 640)	3 437 633 703
Total														
Infrastructure	3 366 039 718	336 014 848	-	(53 015 663)	84 379 102	-	3 733 418 005	(296 668 462)	-	-	(65 807 241)	-	(362 475 703)	3 370 942 302
Other assets	96 177 748	12 705 585	-	-	-	178 005	109 061 338	(35 142 585)	-	-	(7 227 352)	-	(42 369 937)	66 691 401
	3 462 217 466	348 720 433	-	(53 015 663)	84 379 102	178 005	3 842 479 343	(331 811 047)	-	-	(73 034 593)	-	(404 845 640)	3 437 633 703

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Segmental analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	3 326 081	117 428	-	-	-	-	3 443 509	(910 451)	-	-	(196 069)	-	(1 106 520)	2 336 989
Finance & Admin/Finance	12 543 760	3 579 359	-	-	-	178 005	16 301 124	(4 332 166)	-	-	(1 226 942)	-	(5 559 108)	10 742 016
Planning and Development/Economic Development/Plan	6 147 212	-	-	-	-	-	6 147 212	(1 296 791)	-	-	(343 187)	-	(1 639 978)	4 507 234
Comm. & Social/Libraries and archives	39 813 103	1 100 953	-	-	-	-	40 914 056	(14 201 050)	-	-	(2 287 842)	-	(16 488 892)	24 425 164
Water/Water Distribution	26 850 008	7 907 840	-	-	-	-	34 757 848	(7 481 471)	-	-	(1 814 461)	-	(9 295 932)	25 461 916
	88 680 164	12 705 580	-	-	-	178 005	101 563 749	(93 197 291)	-	-	(19 739 878)	-	(112 937 169)	(11 373 420)
Municipal Owned Entities														
Total														
Municipality	88 680 164	12 705 580	-	-	-	178 005	101 563 749	(93 197 291)	-	-	(19 739 878)	-	(112 937 169)	(11 373 420)
	88 680 164	12 705 580	-	-	-	178 005	101 563 749	(93 197 291)	-	-	(19 739 878)	-	(112 937 169)	(11 373 420)

Appendix D
June 2016

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
44 262 237	58 475 494	(14 213 257)	Executive & Council/Mayor and Council	43 431 842	40 953 183	2 478 659
46 086 895	54 992 459	(8 905 564)	Finance & Admin/Finance	102 040 152	209 553 266	(107 513 114)
35 581 847	23 168 303	12 413 544	Planning and Development/Economic Development/Plan	29 521 458	47 812 151	(18 290 693)
17 825 389	12 836 001	4 989 388	Health/Clinics	12 449 578	11 566 575	883 003
62 890 932	73 922 629	(11 031 697)	Comm. & Social/Libraries and archives	78 561 373	188 395 747	(109 834 374)
-	-	-	Housing	-	-	-
69 158 008	70 631 394	(1 473 386)	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
-	-	-	Waste Water Management/Sewerage	-	-	-
530 971 803	96 118 867	434 852 936	Road Transport/Roads	-	-	-
377 719 975	537 562 048	(159 842 073)	Water/Water Distribution	266 579 745	619 315 601	647 264 144
-	-	-	Electricity /Electricity Distribution	-	-	-
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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Appendix D
June 2016

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
184 497 086	**927 707 195**	**256 789 891**		**532 584 148**	**117 596 523**	**414 987 625**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
184 497 086	927 707 195	256 789 891	Municipality	532 584 148	117 596 523	414 987 625
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
184 497 086	**927 707 195**	**256 789 891**	**Total**	**532 584 148**	**117 596 523**	**414 987 625**

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand

Appendix E(1)
June 2016

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

	Current year 2015 Act. Bal. Rand	Current year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	42 936 553	61 567 650	(18 631 097)	(30.3)	
Rendering of service	-	-	-	-	
Equipment lending Depot	199 745	245 685	(45 940)	(18.7)	
Rental of facilities	36 806	1 993	34 813	746.8	
Interest received-Trading	-	-	-	-	
Certificate of acceptence	427 675	181 440	246 235	135.7	
Fire Services	182 586	54 616	127 970	234.3	
Sale of tender document	407 377	174 697	232 680	133.2	
SETA income	51 482	102 965	(51 483)	(50.0)	
Interest received-investment	22 967 725	11 507 100	11 460 625	99.6	
	67 209 949	73 836 146	(6 626 197)	(9.0)	
Expenses					
Personnel	398 974 377	417 926 339	(18 951 962)	(4.5)	
Remuneration of councillors	11 400 362	11 034 237	366 125	3.3	
Administration	-	-	-	-	
Depreciation	(114 791 653)	-	(114 791 653)	-	
Impairments	-	-	-	-	
Finance costs	-	-	-	-	
Bad debts written off	(99 472 643)	-	(99 472 643)	-	
Collection costs	-	-	-	-	
Repairs and maintenance - Manufacturing expenses	(11 055 445)	125 253 000)	114 197 555	(99.0)	
Repairs and maintenance - General	33 677 902	70 233 021	(36 555 119)	(52.0)	
Bulk purchases	-	-	-	-	
General Expenses	140 703 554	182 444 313	(41 740 759)	(22.9)	
	359 436 454	(443 615 090)	803 051 544	(181.0)	
Other revenue and costs					
Net surplus/ (deficit) for the year	426 646 403	(369 778 944)	796 425 347	(215.4)	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies dela withheld			
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	Jun				
MIGC	National Treasury	17 000	-	83 000	-	-	75 883	23 326	49 519	02 089	-	31 000	-	-	-
EPWP	National Treasury	38 000	03 000	-	-	-	21 042	25 062	84 694	13 202	-	-	-	-	-
FMG	National Treasury	25 000	-	-	-	-	92 272	22 803	83 210	51 502	-	-	-	-	-
MSIG	National Treasury	25 000	-	-	-	-	00 000	-	-	-	-	-	-	-	-
RBIG	National Treasury	40 000	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport	National Treasury	44 000	-	-	-	-	-	80 921	74 876	88 203	-	-	-	-	-
Water MWIG		-	16 000	58 000	-	-	48 743	-	-	-	-	-	-	-	-
Water Refurb	National Treasury	26 000	-	74 000	-	-	-	-	-	45 831	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		15 000	19 000	15 000	-	-	37 940	52 112	92 299	00 827	-	31 000	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**185 041 815**	**(39 569 821)**	**145 471 994**	-		**145 471 994**	**134 564 289**		**(10 907 705)**	93 %	73 %				-
Executive and council/Mayor and Municipal Manager	56 138 576	(12 706 734)	43 431 842	-		43 431 842	40 594 830		(2 837 012)	93 %	72 %				-
Finance and Admin/Finance	128 903 239	(26 863 087)	102 040 152	-		102 040 152	93 969 459		(8 070 693)	92 %	73 %				-
Community and public safety	**92 056 221**	**(13 494 847)**	**78 561 374**	-		**78 561 374**	**61 834 994**		**(16 726 380)**	79 %	67 %				-
Community and social services	92 056 221	(13 494 847)	78 561 374	-		78 561 374	61 834 994		(16 726 380)	79 %	67 %				-
Economic and environmental services	**62 931 759**	**(20 960 723)**	**41 971 036**	-		**41 971 036**	**30 132 739**		**(11 838 297)**	72 %	48 %				-
Planning and development	45 697 398	(16 175 940)	29 521 458	-		29 521 458	18 573 035		(10 948 423)	63 %	41 %				-
Health services	17 234 361	(4 784 783)	12 449 578	-		12 449 578	11 559 704		(889 874)	93 %	67 %				-
Trading services	**1 260 469 754**	**6 109 991**	**1 266 579 745**	-		**1 266 579 745**	**637 003 122**		**(629 576 623)**	50 %	51 %				-
Water	1 260 469 754	6 109 991	1 266 579 745	-		1 266 579 745	637 003 122		(629 576 623)	50 %	51 %				-
Total Revenue - Standard	**1 600 499 549**	**(67 915 400)**	**1 532 584 149**	-		**1 532 584 149**	**863 535 144**		**(669 049 005)**	56 %	54 %				-

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**185 041 815**	**(39 569 821)**	**145 471 994**	-	-	**145 471 994**	**250 506 449**	-	**105 034 455**	**172 %**	**135 %**	-	-	-	-
Executive and council	56 138 576	(12 706 734)	43 431 842	-	-	43 431 842	40 953 183	-	(2 478 659)	94 %	73 %	-	-	-	-
Budget and treasury office	53 211 727	48 828 425	102 040 152	-	-	102 040 152	209 553 266	-	107 513 114	205 %	394 %	-	-	-	-
Corporate services	75 691 512	(75 691 512)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	-
Community and public safety	**92 056 221**	**(13 494 847)**	**78 561 374**	-	-	**78 561 374**	**188 395 747**	-	**109 834 373**	**240 %**	**205 %**	-	-	-	-
Community and social services	92 056 221	(13 494 847)	78 561 374	-	-	78 561 374	188 395 747	-	109 834 373	240 %	205 %	-	-	-	-
Economic and environmental services	**62 931 759**	**(20 960 723)**	**41 971 036**	-	-	**41 971 036**	**59 378 726**	-	**17 407 690**	**141 %**	**94 %**	-	-	-	-
Planning and development	45 697 398	(16 175 940)	29 521 458	-	-	29 521 458	47 812 151	-	18 290 693	162 %	105 %	-	-	-	-
Health services	17 234 361	(4 784 783)	12 449 578	-	-	12 449 578	11 566 575	-	(883 003)	93 %	67 %	-	-	-	-
Trading services	**1 260 469 754**	**6 109 991**	**1 266 579 745**	-	-	**1 266 579 745**	**619 315 601**	-	**(647 264 144)**	**49 %**	**49 %**	-	-	-	-
Water	1 260 469 754	6 109 991	1 266 579 745	-	-	1 266 579 745	619 315 601	-	(647 264 144)	49 %	49 %	-	-	-	-
Total Expenditure - Standard	**1 600 499 549**	**(67 915 400)**	**1 532 584 149**	-	-	**1 532 584 149**	**1 117 596 523**	-	**(414 987 626)**	**73 %**	**70 %**	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-		-	**(254 061 379)**		**(254 061 379)**	**DIV/0 %**	**DIV/0 %**				-

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Service charges - water revenue	117 068 939	-	117 068 939	-		117 068 939	87 208 471		(29 860 468)	74 %	74 %				-
Rendering of services	3 500 000	(2 912 112)	587 888	-		587 888	437 149		(150 739)	74 %	12 %				-
Interest received (trading)	-	3 797 295	3 797 295	-		3 797 295	14 296 415		10 499 120	376 %	DIV/0 %				-
Other income	-	-	-	-		-	3 916 382		3 916 382	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	631 121	(617 127)	13 994	-		13 994	36 806		22 812	263 %	6 %				-
Interest earned - external investments	9 692 584	3 608 283	13 300 867	-		13 300 867	11 664 473		(1 636 394)	88 %	120 %				-
Sale of manure	-	1 035	1 035	-		1 035	-		(1 035)	- %	DIV/0 %				-
Certificate of acceptance	180 000	9 679	189 679	-		189 679	274 952		85 273	145 %	153 %				-
Fire services	150 000	(82 750)	67 250	-		67 250	168 938		101 688	251 %	113 %				-
Sale of tender documents	557 568	145 925	703 493	-		703 493	597 339		(106 154)	85 %	107 %				-
Carnival festival	-	170 247	170 247	-		170 247	-		(170 247)	- %	DIV/0 %				-
Transfers recognised - operational	1 219 122 002	30 923 389	1 250 045 391	-		1 250 045 391	1 050 693 405		(199 351 986)	84 %	86 %				-
Sundry income	1 200 000	1 845 030	3 045 030	-		3 045 030	1 697 791		(1 347 239)	56 %	141 %				-
Gains on disposal of PPE	73 640 736	(19 825 156)	53 815 580	-		53 815 580	-		(53 815 580)	- %	- %				-
Total Revenue (excluding capital transfers and contributions)	**1 425 742 950**	**17 063 738**	**1 442 806 688**	-		**1 442 806 688**	**1 170 992 121**		**(271 814 567)**	**81 %**	**82 %**				-

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2016

	2016/2015											2015/2014			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	433 722 164	(7 520 516)	426 201 648	-	-	426 201 648	411 083 709	-	(15 117 939)	96 %	95 %	-	-	-	395 226 942
Remuneration of councillors	12 228 907	1 140 036 300	1 152 265 207	-	-	1 152 265 207	11 400 362	-	(1 140 864 845)	1 %	93 %	-	-	-	12 398 685
Debt Impairment	-	-	-		-	-	99 472 643	-	99 472 643	DIV/0 %	DIV/0 %	-	-	-	17 531 373
Depreciation & asset impairment	36 553 630	3 655 363 000	3 691 916 630		-	3 691 916 630	114 791 653	-	(3 577 124 977)	3 %	314 %	-	-	-	177 141 435
Finance charges	456 368	45 636 800	46 093 168	-	-	46 093 168	787 021	-	(45 306 147)	2 %	172 %	-	-	-	1 068 296
Bulk purchases	68 094 316	5 640 000	73 734 316	-	-	73 734 316	2 655 983	-	(71 078 333)	4 %	4 %	-	-	-	2 506 245
Other expenditure	207 200 000	(13 178 858)	194 021 142	-	-	194 021 142	335 278 024	-	141 256 882	173 %	162 %	-	-	-	381 120 014
Total Expenditure	**758 255 385**	**4 825 976 726**	**5 584 232 111**	**-**	**-**	**5 584 232 111**	**975 469 395**	**-**	**(4 608 762 716)**	**17 %**	**129 %**	**-**	**-**	**-**	**986 992 990**
Surplus/(Deficit)	**667 487 565**	**(4 808 912 988)**	**(4 141 425 423)**	**-**		**(4 141 425 423)**	**195 522 726**		**4 336 948 149**	**(5)%**	**29 %**				**(986 992 990)**
Surplus/(Deficit) after capital transfers & contributions	**667 487 565**	**(4 808 912 988)**	**(4 141 425 423)**	**-**		**(4 141 425 423)**	**195 522 726**		**4 336 948 149**	**(5)%**	**29 %**				**(986 992 990)**
Surplus/(Deficit) after taxation	**667 487 565**	**(4 808 912 988)**	**(4 141 425 423)**	**-**		**(4 141 425 423)**	**195 522 726**		**4 336 948 149**	**(5)%**	**29 %**				**(986 992 990)**
Surplus/(Deficit) attributable to municipality	**667 487 565**	**(4 808 912 988)**	**(4 141 425 423)**	**-**		**(4 141 425 423)**	**195 522 726**		**4 336 948 149**	**(5)%**	**29 %**				**(986 992 990)**
Surplus/(Deficit) for the year	**667 487 565**	**(4 808 912 988)**	**(4 141 425 423)**	**-**		**(4 141 425 423)**	**195 522 726**		**4 336 948 149**	**(5)%**	**29 %**				**(986 992 990)**