



GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	District Municipality
Speaker	Dlamini ES
Executive Mayor	Nhlabathi MPP
Chief Whip	Mnisi TA
Mayoral committee	Maboa-Boltman NF Maboea SA Magagula MP Motha VM Nyembe FM Zuma NG
Councillors	Bongwe SJ Bosch PR Brussow JLI DeVillie JR Dube JJ Greyling GS Joubert LK Khanye MD Kubheka MN Labuschagne PJ Madonsela EM Mahlangu BD Mahlangu H Makola MB Malatsi PV Masango SA Masina LL Maseko BP Mkhwanazi LVA Mkhwanazi ZG Mlotshwa TL Motha TW Msibi GS Mishali BH Ndinisa BJ Nhlapo NS Nkosi AD Nkosi VL Shiba BP Shongwe MD Soko JP Thwala DM Victor NS Weber WL Zacarias SM Zwane L Zwane TE
Grading of local authority	3
Chief Finance Officer (CFO)	Singh AY
Accounting Officer	Habile CA

GERT SIBANDE DISTRICT MUNICIPALITY

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General Information

Registered office	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Business address	Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351
Postal address	PO Box 1748 Ermelo Mpumalanga 2350
Bankers	ABSA Bank
Auditors	Auditor General Of South Africa
Attorneys	Fluxman Attorneys
Nature of business and principal activities	A Category B Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (DC30)
The following is included in the scope of operation	Local Government - Service Delivery in Mpumalanga

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
COGTA	Mpumalanga Provincial Department of Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DWS	Department of Water and Sanitation
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting 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)
VAT	Value Added Tax

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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. The external auditors are responsible for expressing an opinion and reporting on the municipality's annual financial statements and was given unrestricted access to all financial records and related data.

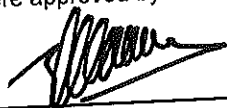
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements set out on pages 6 to 65 have been prepared on the going concern basis and were approved by the management before August,31,2016 and have been duly signed by the Municipal Manager:



Habile CA
Municipal Manager

Ermelo

31 August 2016

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand

	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	84 644 252	30 995 199
Other receivables	4	676 720	761 575
Inventories	5	14 921 029	22 526 629
Receivables from exchange transactions	6	199 276	107 988
Receivables from non-exchange transactions	7	6 411 212	8 054 830
VAT receivable	8	8 154 917	5 840 992
		115 007 406	68 287 213
Non-Current Assets			
Property, plant and equipment	9	301 492 983	317 396 736
Intangible assets	10	448 857	280 802
Heritage assets	11	154 250	154 250
Investment in Municipal Entities	12	-	13 514 375
		302 096 090	331 346 163
		417 103 496	399 633 376
Total Assets			
Liabilities			
Current Liabilities			
Financial liabilities	13	-	4 104 383
Payables from exchange transactions	14	43 134 900	42 989 374
Unspent conditional grants and receipts	15	3 087 112	2 429 866
		46 222 012	49 523 623
Non-Current Liabilities			
Retirement benefit obligation	16	724 000	301 000
Long service awards	17	4 327 000	3 522 000
		5 051 000	3 823 000
		51 273 012	53 346 623
		365 830 484	346 286 753
		365 830 484	346 286 753
Total Liabilities			
Net Assets			
Accumulated surplus			

* See Note 39

GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions		392 986	369 174
Health income	19	-	1 902 167
Rental income	20	288 679	18 648 527
Income from municipal entities	21	2 305 673	2 634 625
Other income	22	8 048 875	3 140 041
Interest received - investment trade and other receivables			
Total revenue from exchange transactions		11 036 213	26 694 534
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	23	288 311 093	296 130 794
Total revenue	24	299 347 306	322 825 328
Expenditure			
Employee related cost	25	(100 024 046)	(95 180 501)
Remuneration of councillors	26	(11 308 317)	(10 468 612)
Depreciation and amortisation	27	(17 899 502)	(20 434 441)
Impairment loss		(614)	-
Finance costs	28	(484 314)	(5 850 618)
Lease rentals on operating lease	29	(437 304)	(482 223)
Repairs and maintenance	30	(6 801 110)	(4 012 493)
Contracted services	31	(2 050 835)	(2 587 102)
Grants and subsidies	32	(123 217 887)	(131 158 522)
General expenses	33	(35 102 555)	(33 767 318)
Total expenditure		(297 326 484)	(303 941 830)
Operating surplus		2 020 822	18 883 498
Gain\loss on disposal of assets		(33 277)	1 040 827
Surplus/loss on termination of trust/partnership		17 556 188	(13 109 370)
Surplus for the year		17 522 911	(12 068 543)
		19 543 733	6 814 955

* See Note 39

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Statement of Changes in Net Assets for the year ended 30 June 2016

	Accumulated surplus	Total net assets
Figures in Rand		
	339 471 798	339 471 798
Balance at 01 July 2014		
Changes in net assets	6 814 955	6 814 955
Surplus for the year	6 814 955	6 814 955
Total changes	346 286 751	346 286 751
Restated* Balance at 01 July 2015		
Changes in net assets	19 543 733	19 543 733
Surplus for the year	19 543 733	19 543 733
Total changes	365 830 484	365 830 484
Balance at 30 June 2016		

* See Note 39

GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement for the year ended 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts		392 986	3 515 390
Sale of goods and services		289 954 706	297 362 010
Grants		8 048 875	3 140 041
Interest income		2 305 673	4 617 201
Other receipts		288 679	18 648 527
Income from municipal entities		<u>300 990 919</u>	<u>327 283 169</u>
Payments		(110 104 363)	(105 360 113)
Employee costs		(152 596 848)	(166 406 159)
Suppliers		(484 314)	(1 122 093)
Finance costs		(2 123 719)	(2 587 102)
Contract Services		(6 801 110)	(4 012 493)
Repairs and maintenance		<u>(272 110 354)</u>	<u>(279 487 960)</u>
Net cash flows from operating activities	35	<u>28 880 565</u>	<u>47 795 209</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1 962 506)	(5 377 866)
Proceeds from sale of property, plant and equipment	9	11 246	1 480 456
Purchase of other intangible assets	10	(246 432)	(35 000)
Proceeds from sale of other intangible assets	10	-	65 305
Movement in investments in municipal entities		13 514 375	10 964 604
Net cash flows from investing activities		<u>11 316 683</u>	<u>7 097 499</u>
Cash flows from financing activities			
Decrease in long term loans		(4 104 383)	(7 844 509)
Movement in deferred gain on sale and leaseback		-	(2 528 600)
Finance lease payments		-	(27 407 415)
Net cash flows of discontinued operations		17 556 188	-
Net cash flows from financing activities		<u>13 451 805</u>	<u>(37 780 524)</u>
Net increase/(decrease) in cash and cash equivalents		<u>53 649 053</u>	<u>17 112 184</u>
Cash and cash equivalents at the beginning of the year		30 995 199	13 883 015
Cash and cash equivalents at the end of the year	3	<u>84 644 252</u>	<u>30 995 199</u>

* See Note 39

GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions			669 690	392 986	(276 704)	Appendix E-1
Health income	550 000	119 690	2 520	288 679	286 159	Appendix E-1
Income from municipal entities	2 520	-	2 101 625	2 305 673	204 048	Appendix E-1
Other income	1 992 150	109 475	5 500 000	8 048 875	2 548 875	Appendix E-1
Interest received - investment	2 750 000	2 750 000	5 500 000	8 048 875	2 548 875	Appendix E-1
Total revenue from exchange transactions	5 294 670	2 979 165	8 273 835	11 036 213	2 762 378	
Revenue from non-exchange transactions						
Transfer revenue			296 382 837	288 311 093	(8 071 744)	Appendix E-1
Government grants and subsidies	397 370 000	(100 987 163)	296 382 837	288 311 093	(8 071 744)	Appendix E-1
Total revenue	402 664 670	(98 007 998)	304 656 672	299 347 306	(5 309 366)	
Expenditure						
Personnel	(111 184 292)	6 482	(111 177 810)	(100 024 046)	11 153 764	Appendix E-1
Remuneration of councillors	(14 039 410)	1 903 660	(12 135 750)	(11 308 317)	827 433	Appendix E-1
Depreciation and amortisation	(18 479 950)	(2 041 940)	(20 521 890)	(17 899 502)	2 622 388	Appendix E-1
Impairment loss/ Reversal of impairments	-	(630)	(630)	(614)	16	Appendix E-1
Finance costs	(1 500 000)	1 350 000	(150 000)	(484 314)	(334 314)	Appendix E-1
Lease rentals on operating lease	-	(440 000)	(440 000)	(437 304)	2 696	Appendix E-1
Repairs and maintenance	(6 449 690)	(3 054 250)	(9 503 940)	(6 801 110)	2 702 830	Appendix E-1
Contracted services	(1 950 000)	(680 000)	(2 630 000)	(2 050 835)	579 165	Appendix E-1
Grants and subsidies	(249 621 846)	99 436 204	(150 185 642)	(123 217 887)	26 967 755	Appendix E-1
General expenses	(35 956 060)	(3 020 970)	(38 977 030)	(35 102 555)	3 874 475	Appendix E-1
Total expenditure	(439 181 248)	93 458 556	(345 722 692)	(297 326 484)	48 396 208	
Operating surplus	(36 516 578)	(4 549 442)	(41 066 020)	2 020 822	43 086 842	
Loss on disposal of assets and liabilities	-	-	-	(33 277)	(33 277)	
Surplus with the dissolution of the trust	-	-	-	17 556 188	17 556 188	
	-	-	-	17 522 911	17 522 911	
Surplus before taxation	(36 516 578)	(4 549 442)	(41 066 020)	19 543 733	60 609 753	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(36 516 578)	(4 549 442)	(41 066 020)	19 543 733	60 609 753	

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Appropriation Statement for the year ended 30 June 2016

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Investment revenue	2 750 000	2 750 000	5 500 000	-	-	5 500 000	8 048 875		2 548 875	146 %	293 %
Transfers recognised - operational	397 370 000	(100 987 163)	296 382 837	-	-	296 382 837	288 311 093		(8 071 744)	97 %	73 %
Other own revenue	2 544 670	231 685	2 776 355	-	-	2 776 355	2 988 504		212 149	108 %	117 %
Total revenue (excluding capital transfers and contributions)	402 664 670	(98 005 478)	304 659 192			304 659 192	299 348 472		(5 310 720)	98 %	74 %
Employee costs	(111 184 292)	6 482	(111 177 810)	-	-	(111 177 810)	(100 024 046)		11 153 764	90 %	90 %
Remuneration of councillors	(14 039 410)	1 903 660	(12 135 750)	-	-	(12 135 750)	(11 308 317)		827 433	93 %	81 %
Depreciation and asset impairment	(18 479 950)	(2 042 570)	(20 522 520)	-	-	(20 522 520)	(17 900 116)		2 622 404	87 %	97 %
Finance charges	(1 500 000)	1 350 000	(150 000)	-	-	(150 000)	(484 314)		(334 314)	323 %	32 %
Transfers and grants	(249 621 846)	99 436 204	(150 185 642)	-	-	(150 185 642)	(123 217 887)		26 967 755	82 %	49 %
Other expenditure	(44 355 750)	(7 195 220)	(51 550 970)	-	-	(51 550 970)	(44 391 804)		7 159 166	86 %	100 %
Total expenditure	(439 181 248)	93 458 556	(345 722 692)			(345 722 692)	(297 326 484)		48 396 208	86 %	68 %
Surplus/(Deficit)	(36 516 578)	(4 546 922)	(41 063 500)			(41 063 500)	2 021 988		43 085 488	(5)%	(6)%

GERT SIBANDE DISTRICT MUNICIPALITY

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Appropriation Statement

Figures in Rand

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-	-	-	(34 443)	(34 443)		
Contributions recognised - capital and contributed assets	-	-	-	-	-	17 556 188	17 556 188	17 556 188		
Surplus (Deficit) after capital transfers and contributions	(36 516 578)	(4 546 922)	(41 063 500)		(41 063 500)	19 543 733		60 607 233	(48)%	(54)%
Surplus/(Deficit) for the year	(36 516 578)	(4 546 922)	(41 063 500)		(41 063 500)	19 543 733		60 607 233	(48)%	(54)%
Capital expenditure and funds sources										
Total capital expenditure	(21 500 000)	11 000 000	(10 500 000)		(10 500 000)			8 291 062	21 %	10 %

GERT SIBANDE DISTRICT MUNICIPALITY

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Appropriation Statement

Figures in Rand

Shifting of funds (i.t.o. MFMA) s31 of the MFMA)
Virement (i.t.o. Council approved policy)

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows									
Net cash from (used) operating	-	-	-	-	-	28 880 565	28 880 565	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	11 316 683	11 316 683	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	13 451 805	13 451 805	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	53 649 053	53 649 053	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	30 995 199	30 995 199	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	84 644 252	(84 644 252)	DIV/0 %	DIV/0 %

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies for the year ended 30 June 2016

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives, 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 and have been rounded to the nearest rand.

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

1.1 Going concern assumption

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

1.2 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:

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 receivable.

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 balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

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

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

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

Accounting Policies for the year ended 30 June 2016

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts or recoverable service amount 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.

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. At each reporting date an assessment should be undertaken to determine whether there is any indication that any items of Property, plant and equipment may be impaired by reviewing external and internal source or information which indicates that impairments may have occurred.

Useful lives of property, plant and equipment and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16 - Retirement benefit obligations.

Effective interest rate

The municipality used the government bond rate to discount future cashflows.

Allowance for impairment

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost or for a nominal cost, its cost is its fair value as at date of acquisition.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies for the year ended 30 June 2016

1.3 Property, plant and equipment (continued)

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 assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up

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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Work-in-progress is recognised by the municipality as expenses as incurred on a capital project. Work-in-progress is transferred to the related item of property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

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

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

The useful lives of items of property, plant and equipment have been by management by using industry norms and are shown below:

Item	Average useful life
Land	Indefinite
Buildings	30
• Office building	30
• Laboratories	30
• Disaster centres	30
• Workshops/store rooms	25
• Non residential perimeter protection	20
• Internal road	20
• Stormwater channel	5
Plant and equipment	
Furniture and fixtures	7
• Office furniture	20
• Elevator system	50
• Transformer	15
• Building air condition system	7
• Electric wire and power distribution equipment(generators)	7
Motor vehicles	7
• Motor Vehicles	10
• Construction vehicles	7
Office equipment	5
IT equipment	7
Lab equipment	2
Communication equipment	
Park facilities	30
• Public parking	15
• Carports/garages/shelters	3
Leased copiers	
Specialised vehicles	10
• Emergency vehicles	Indefinite
Heritage	

The deprecation method of each asset is 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.

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1.3 Property, plant and equipment (continued)

In calculating the new depreciation as a result of change in estimate the calculation will be undertaken by dividing the carrying amount by the remaining useful life.

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.

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.

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

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

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

Work-in-progress is recognised by the municipality as additions as and when incurred on a capital project. Work-in-progress is transferred to the related item of property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

1.4 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.

Accounting Policies for the year ended 30 June 2016

1.4 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

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

1.5 Heritage assets

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

Recognition

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

Where the municipality hold a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or at a nominal cost, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

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

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies for the year ended 30 June 2016

1.5 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Investments in controlled entities

Eastvaal Development Trust

Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. This fair value of the trust is determined by reference to the net assets of the trust.

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 municipality assesses the classification of each element separately.

Finance leases - lessor

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

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

Finance leases - lessee

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

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

Operating leases - lessee

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

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

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Accounting Policies for the year ended 30 June 2016

1.8 Inventories (continued)

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

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

1.9 Impairment of cash-generating assets

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

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.

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.

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.

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1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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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.

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

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

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

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

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

1.10 Impairment of non-cash-generating assets

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

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

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.

Accounting Policies for the year ended 30 June 2016

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating asset 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 oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

The 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.

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

1.11 Accumulated surplus

The accumulated surplus/deficit represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit.

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1.12 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

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1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.12 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

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1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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1.12 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.13 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.

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

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

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

Provisions are not recognised for future operating deficits.

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

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1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

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

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

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37 - Contingencies.

1.14 Revenue from exchange transactions

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

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

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.

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1.14 Revenue from 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.

Revenue shall be recognised using the following accounting treatment:

Interest shall be recognised by using the effective interest rate method set out in the Standard of GRAP on Financial Instruments.

Dividends

Dividends or similar distributions shall be recognised when the owner municipality's right to receive payment has been established.

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

Recognition

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

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

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

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1.15 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

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

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

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

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1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Budget information

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

The approved budget covers the fiscal period from 01 July 2015 to 30 June 2016.

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

1.22 Related parties

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

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

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

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

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

There are no events that occurred after the reporting date and the date of authorisation of the financial statements for issue, which may provide additional evidence of the conditions that existed between these dates

1.24 Value Added Tax

The municipality accounts for value added taxation on the payment basis.

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1.25 Grants in aid

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

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

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

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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 early adopted

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life as been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality has early adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The following amendments were made to the standard:

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

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

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2. New standards and interpretations (continued)

The municipality has early adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

The impact of the standard is not material.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

GRAP 108: Statutory Receivables

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2. New standards and interpretations (continued)

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

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

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

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

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

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

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

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

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

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

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

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

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

GRAP 16 (as amended 2015): Investment Property

Amendments made to the standard are:

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

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2. New standards and interpretations (continued)

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

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

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

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

Amendments made to the standard are

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

The impact of this standard is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 600	5 600
Bank balances	84 638 652	30 989 599
	<u>84 644 252</u>	<u>30 995 199</u>

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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Current Account - 10-5397-1462	18 486 736	10 269 600	3 299 056	84 363 124	30 718 095	13 610 838
ABSA BANK - Call Account - 40-6821-1572	65 881 806	20 470 345	10 316 032	-	-	-
Nedbank BANK - Current Account - 1454106999	275 527	271 504	264 578	275 527	271 504	264 578
Total	84 644 069	31 011 449	13 879 666	84 638 651	30 989 599	13 875 416

4. Other receivables

Study bursaries	963 425	971 614
Less amounts written back	(286 705)	(210 039)
	676 720	761 575

5. Inventories

Work in progress	14 725 486	22 309 562
Inventories operational	195 543	217 067
	14 921 029	22 526 629

6. Receivables from exchange transactions

Accrued interest	199 276	107 988
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Credit quality of receivables from exchange transactions

The credit quality receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R199 276 (2015: R 107 988) were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

1 month past due	199 276	107 988
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7. Receivables from non-exchange transactions

Other receivables	1 632 605	1 877 169
DWS	4 778 607	6 177 661
	6 411 212	8 054 830

Credit quality of Receivables from non-exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

GERT SIBANDE DISTRICT MUNICIPALITY

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7. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 6 411 215 (2015: R 8 054 828) were past due but not impaired.

8. VAT receivable

VAT	8 154 917	5 840 992
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The Municipality is registered on the payment basis for VAT purposes.

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	360 000	-	360 000	360 000	-	360 000
Buildings	310 078 435	(53 930 817)	256 147 618	310 078 435	(43 573 645)	266 504 790
Plant and equipment	537 865	(254 842)	283 023	508 065	(156 997)	351 068
Furniture and fixtures	4 458 529	(3 179 465)	1 279 064	4 495 727	(2 594 606)	1 901 121
Motor vehicles	9 520 371	(6 209 935)	3 310 436	9 644 911	(5 404 778)	4 240 133
Office equipment	2 408 799	(1 112 571)	1 296 228	3 669 988	(2 594 469)	1 075 519
IT equipment	5 198 758	(3 243 594)	1 955 164	4 868 900	(2 403 915)	2 464 985
Infrastructure	29 455 864	(11 387 920)	18 067 944	29 455 864	(9 134 242)	20 321 622
Construction vehicles	10 400 000	(2 690 760)	7 709 240	10 400 000	(1 648 624)	8 751 376
Other equipment	535 953	(57 197)	478 756	535 953	(46 456)	489 497
Building fixtures	6 459 823	(1 282 614)	5 177 209	6 459 823	(1 023 691)	5 436 132
Communication equipment	145 786	(57 168)	88 618	72 420	(55 453)	16 967
Laboratory equipment	4 125 403	(2 202 049)	1 923 354	3 837 701	(1 648 681)	2 189 020
Park facilities	691 475	(107 968)	583 507	691 475	(82 143)	609 332
Emergency vehicles	4 101 870	(3 827 327)	274 543	4 101 870	(3 416 298)	685 572
Work in progress	2 558 279	-	2 558 279	1 999 602	-	1 999 602
Total	391 037 210	(89 544 227)	301 492 983	391 180 734	(73 783 998)	317 396 736

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Notes to the Annual Financial Statements for the year ended 30 June 2016

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9. Property, plant and equipment (continued)							
Reconciliation of property, plant and equipment - 2016							
	Opening balance	Additions	Disposals	Accumulated depreciation written back with disposal	Depreciation	Impairment loss	Total
Land	360 000	-	-	-	-	-	360 000
Buildings	266 504 790	-	-	-	(10 357 172)	-	256 147 618
Plant and equipment	351 068	29 800	-	-	(97 845)	-	283 023
Furniture and fixtures	1 901 121	-	(37 198)	34 224	(619 043)	(40)	1 279 064
Motor vehicles	4 240 133	-	(124 540)	116 027	(921 184)	-	3 310 436
Office equipment	1 075 519	571 120	(1 832 310)	1 823 473	(341 552)	(22)	1 296 228
IT equipment	2 464 985	362 594	(32 736)	17 798	(856 938)	(539)	1 955 164
Infrastructure	20 321 622	-	-	-	(2 253 678)	-	18 067 944
Construction vehicles	8 751 376	-	-	-	(1 042 136)	-	7 709 240
Other equipment	489 497	-	-	-	(10 741)	-	478 756
Building fixtures	5 436 132	-	-	-	(258 923)	-	5 177 209
Communication equipment	16 967	152 613	(79 247)	69 987	(71 702)	-	88 618
Laboratory equipment	2 189 020	287 702	-	-	(553 355)	(13)	1 923 354
Park facilities	609 332	-	-	-	(25 825)	-	583 507
Emergency vehicles	685 572	-	-	-	(411 029)	-	274 543
Work in progress	1 999 602	558 677	-	-	-	-	2 558 279
	317 396 736	1 962 506	(2 106 031)	2 061 509	(17 821 123)	(614)	301 492 983

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Work in progress written back	Depreciation	Total
Land	5 215 588	-	(4 855 588)	-	-	360 000
Buildings	285 381 245	112 673	(8 253 782)	-	(10 735 346)	266 504 790
Plant and equipment	253 791	230 025	-	-	(132 748)	351 068
Furniture and fixtures	2 435 714	138 934	(18 245)	-	(655 282)	1 901 121
Motor vehicles	4 021 695	1 745 428	(276 010)	-	(1 250 980)	4 240 133
Office equipment	2 092 788	15 000	(63 494)	-	(968 775)	1 075 519
IT equipment	4 389 563	215 128	(81 880)	-	(2 057 826)	2 464 985
Infrastructure	22 569 142	-	-	-	(2 247 520)	20 321 622
Construction vehicles	9 790 664	-	-	-	(1 039 288)	8 751 376
Other equipment	500 209	-	-	-	(10 712)	489 497
Building fixtures	5 694 348	-	-	-	(258 216)	5 436 132
Communication equipment	45 486	7 339	-	-	(35 858)	16 967
Laboratory equipment	1 716 595	913 737	-	-	(441 312)	2 189 020
Park facilities	635 087	-	-	-	(25 755)	609 332
Emergency vehicles	1 095 479	-	-	-	(409 907)	685 572
Work in progress	123 172	1 999 602	-	(123 172)	-	1 999 602
	345 960 566	5 377 866	(13 548 999)	(123 172)	(20 269 525)	317 396 736

Pledged as security

No assets have been pledged as security.

Impairment of assets

Certain capital items were impaired due to their condition being poor as a result of excessive wear and tear.

GERT SIBANDE DISTRICT MUNICIPALITY

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9. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Office equipment - 42 000

Reconciliation of Work-in-Progress 2016

	Included within Other PPE	Total
Opening balance	1 999 602	1 999 602
Additions/capital expenditure	558 677	558 677
	2 558 279	2 558 279

Reconciliation of Work-in-Progress 2015

	Included within Other PPE	Total
Opening balance	123 172	123 172
Additions/capital expenditure	1 999 602	1 999 602
Other movements	(123 172)	(123 172)
	1 999 602	1 999 602

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

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 253 486	(804 629)	448 857	1 007 054	(726 252)	280 802

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	280 802	246 432	(78 377)	448 857

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	476 021	35 000	(65 305)	(164 914)	280 802

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11. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain and portraits	154 250	-	154 250	154 250	-	154 250

Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral chain and portraits	154 250	154 250

Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral chain and portraits	154 250	154 250

Heritage assets which fair values cannot be reliably measured

12. Loans to (from) economic entities

Controlled entities

Investment in Eastvaal Development Trust	-	13 514 375
Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. The fair value of the trust is determined by reference to the net assets of the trust. The Trust was dissolved on the 30th of September 2015		

13. Financial liabilities

At amortised cost

ABSA Bank loan	-	4 104 383
This loan was unsecured, bears interest at 8.22% p.a. and is repayable in bi-annual instalments of R4,335,090. The loan was fully redeemed during the financial year.		

Current liabilities

At amortised cost	-	4 104 383
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Financial liabilities at amortised cost

14. Payables from exchange transactions

Accrued interest	-	51 762
Other creditors	295 712	160 785
Health payments	24 811	41 220
Performance bonuses	595 418	1 081 439
Retentions	8 840 995	9 982 133
Staff bonuses	2 005 067	1 875 625
Staff leave pay	7 755 298	6 489 337
Trade payables	23 617 599	23 307 073
	43 134 900	42 989 374

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

	2016	2015
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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural roads asset management systems grant	73 424	1 000
Infrastructure skills development grant	1 682 723	-
Data cleansing grant	233 806	537 559
COGTA	1 097 159	1 891 307
	3 087 112	2 429 866

Movement during the year

Balance at the beginning of the year	2 429 866	1 198 650
Additions during the year	13 999 000	16 063 000
Income recognition during the year	(13 341 754)	(14 831 784)
	3 087 112	2 429 866

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.

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

See note 23 for reconciliation of grants from National/Provincial Government.

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

16. Retirement benefit obligations

Defined benefit plan

Post retirement medical aid plan

The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age last birthday on 30 June 2015.

The Project Unit Credit Method was used as prescribed by GRAP 25 This method is based on the approximation that the post-retirement benefit is notionally build up over the employee's working life.

The actuarial valuation of PRMA liability involves the following:

The projection of future post-retirement medical contribution subsidy cashflow, taking into account probabilities of survival withdraw, ill-health retirement, and death in service. The medical contribution subsidies in respect of the audit dependants of employees. Increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in current Rand terms.

The amount represents the municipality's liability for post-employment medical aid benefit for the sole remaining pensioner under the now defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

Employees of the municipality belong to the National Fund for Municipality Workers and the Municipal Gratuity Fund. These funds are defined contribution plans. The municipality has no legal or contractual obligation to pay further contributions. Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

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16. Retirement benefit obligations (continued)

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

Carrying value		
Balance at 1 July	(301 000)	(287 000)
Contributions paid	70 000	38 000
Interest costs	(23 000)	(24 000)
Actuarial gain	(470 000)	(28 000)
	<u>(724 000)</u>	<u>(301 000)</u>

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

Net expense recognised in the statement of change in net assets

17. Long service awards

Reconciliation of long service awards - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Employee benefit cost	3 522 000	564 000	(236 000)	343 000	134 000	4 327 000

Reconciliation of long service awards - 2015

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Employee benefit cost	3 247 000	511 000	(110 000)	309 000	(435 000)	3 522 000

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

18. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At cost	Total
Cash and cash equivalents	84 644 252	84 644 252
Other receivables	676 720	676 720
Receivables from exchange transactions	199 276	199 276
Receivables from non-exchange transactions	6 411 212	6 411 212
	<u>91 931 460</u>	<u>91 931 460</u>

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
Financial instruments disclosure (continued)		
Financial liabilities		
Payables from exchange transactions	At cost 41 609 423	Total 41 609 423
2015		
Financial assets		
Cash and cash equivalents	At cost 30 995 199	Total 30 995 199
Other receivables	761 575	761 575
Receivables from exchange transactions	107 988	107 988
Receivables from non-exchange transactions	8 135 236	8 135 236
	39 999 998	39 999 998
Financial liabilities		
Other financial liabilities	At cost 4 104 383	Total 4 104 383
Payables from exchange transactions	42 989 374	42 989 374
	47 093 757	47 093 757
19. Rental income		
Rental income - third party	-	1 902 167
20. Income from municipal entities		
Income from municipal entities	288 679	18 648 527
21. Other income		
Car Wash	-	183 451
Donations received	-	88 400
LG Seta	176 554	174 417
Refund telephone	89 384	117 574
Laboratory income	1 630 423	1 324 555
Retention forfeited	72 392	173 084
Sundry	160 446	448 802
Tender deposits	176 474	124 342
	2 305 673	2 634 625
22. Interest received - investments and other receivables		
Interest revenue		
Bank	8 048 875	3 104 527
Interest charged on receivables	-	35 514
	8 048 875	3 140 041

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
23. Government grants and subsidies		
Equitable share	14 931 000	16 098 000
Revenue replacement grant	256 040 000	249 849 000
Financial management grant (FMG)	1 250 000	1 250 000
Municipal systems improvement grant (MSIG)	940 000	934 000
CBPWP / EPWP grant	2 676 000	1 587 000
Data cleansing grant	303 753	462 441
Rural road asset management systems grant (RAMS)	2 060 576	2 062 000
Infrastructure skills development grant (ISDG)	5 317 277	3 198 650
COGTA	794 148	9 108 693
Department of water and sanitation(DWS)	3 998 339	11 581 010
	288 311 093	296 130 794

Equitable Share

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

Revenue replacement grant

Current-year receipts	256 040 000	249 849 000
Conditions met - transferred to revenue	(256 040 000)	(249 849 000)
	-	-

The purpose of the revenue replacement grant is to provide basic infrastructures within their areas, the revenue replacement grant is collected from employers being to help fund these infrastructures.

Finance mangement grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Mangement Act.

Municipal systems improvement grant

Current-year receipts	940 000	934 000
Conditions met - transferred to revenue	(940 000)	(934 000)
	-	-

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation.

CBPWP/EPWP grant

Current-year receipts	2 676 000	1 587 000
Conditions met - transferred to revenue	(2 676 000)	(1 587 000)
	-	-

To incentivise provincial departmance to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas.

GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
23. Government grants and subsidies (continued)		
Road asset management grant(RAMS)		
Balance unspent at beginning of year	1 000	-
Current-year receipts	2 133 000	2 063 000
Conditions met - transferred to revenue	(2 060 576)	(2 062 000)
	73 424	1 000
Conditions still to be met - remain liabilities (see note 15).		
To assist rural district municipalities to set up rural roads asset mangement systems.		
Infrastructure skills development grant(ISDG)		
Balance unspent at beginning of year	-	198 650
Current-year receipts	7 000 000	3 000 000
Conditions met - transferred to revenue	(5 317 277)	(3 198 650)
	1 682 723	-
To strengthen capicity of local government, to effectively and efficiently deliver quality infastructure, by increasing the pool of skills available.		
Data cleansing Grant		
Balance unspent at beginning of year	537 559	1 000 000
Conditions met - transferred to revenue	(303 753)	(462 441)
	233 806	537 559
Conditions still to be met - remain liabilities (see note 15).		
To assist municipalities with the implementations of geographic information systems and related projects		
COGTA		
Balance unspent at beginning of year	1 891 307	-
Current-year receipts	-	11 000 000
Conditions met - transferred to revenue	(794 148)	(9 108 693)
	1 097 159	1 891 307
Conditions still to be met - remain liabilities (see note 15).		
To assist municipalities with reticulation interventions to improve service delivery and reduce interruptions as well as bulk supply and sanitation		
Department of water and sanitation(DWS)		
Current-year receipts	3 998 339	11 581 010
Conditions met - transferred to revenue	(3 998 339)	(11 581 010)
	-	-
To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identifed as not receiving a basic water supply service.		

GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
24. Revenue		
Government grants & subsidies	288 311 093	296 130 794
Income from municipal entities	288 679	18 648 527
Interest received - investment	8 048 875	3 140 041
Other income	2 305 673	2 634 625
Health income	392 986	369 174
Rental income	-	1 902 167
	299 347 306	322 825 328
The amount included in revenue arising from exchanges of goods or services are as follows:		
Income from Municipal entities	288 679	18 648 527
Interest received - investment	8 048 875	3 140 041
Other income	2 305 673	2 634 625
Rendering of services	392 986	369 174
Rental income	-	1 902 167
	11 036 213	26 694 534
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	288 311 093	296 130 794

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

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25. Employee related costs		
Basic	57 475 049	53 660 980
Bonus	4 889 283	4 906 447
Medical aid - company contributions	4 267 378	3 554 465
UIF	383 813	373 351
Leave pay accrual charge	2 492 633	3 048 641
Group insurance	1 066 801	993 312
Pension fund	11 158 597	10 514 313
Bargaining council	18 588	17 399
Overtime payments	1 389 513	1 352 540
Car allowance	9 396 658	8 950 410
Housing benefits and allowances	598 172	477 336
Uniforms	235 048	373 810
	93 371 533	88 223 004
Remuneration of municipal manager - Habile CA		
Annual Remuneration	939 966	864 020
Car Allowance	240 000	240 000
Performance Bonuses - Paid for the 2015 year	147 868	-
Contributions to UIF, Medical and Pension Funds	161 744	161 745
	1 489 578	1 265 765
Remuneration of chief finance officer - Singh AY		
Annual Remuneration	959 587	957 622
Car Allowance	180 000	180 000
Performance Bonuses - Paid for the 2015 year	159 062	-
Contributions to UIF, Medical and Pension Funds	13 785	13 784
	1 312 434	1 151 406
Municipal Infrastructure - Vacant		
Annual Remuneration	-	694 914
Car Allowance	-	165 000
Contributions to UIF, Medical and Pension Funds	-	153 932
	-	1 013 846
Planning services - Zikalala S		
Annual Remuneration	884 108	875 160
Car Allowance	96 000	96 000
Performance Bonuses - Paid for the 2015 year	137 992	-
Contributions to UIF, Medical and Pension Funds	173 264	169 746
	1 291 364	1 140 906
Corporate services - Dlamini MS		
Annual Remuneration	804 556	914 425
Car Allowance	192 632	192 632
Performance Bonuses - Paid for the 2015 year	126 999	-
Contributions to UIF, Medical and Pension Funds	108 944	108 944
	1 233 131	1 216 001

GERT SIBANDE DISTRICT MUNICIPALITY

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Figures in Rand 2016 2015

25. Employee related costs (continued)

Community and social services - Kunene M

Annual Remuneration	914 010	926 194
Car Allowance	96 000	96 000
Performance Bonuses - Paid for the 2015 year	169 251	-
Contributions to UIF, Medical and Pension Funds	146 745	147 379
	1 326 006	1 169 573

Total employment cost

Annual Remuneration	100 024 046	95 180 501
	100 024 046	95 180 501

26. Remuneration of councillors

Executive Major	942 780	894 718
Mayoral Committee Members	3 006 735	3 186 572
Speaker	758 396	719 948
Councillors	5 657 824	4 803 469
Mayoral committee contributions and other allowances	378 030	378 293
Councillors contributions and other allowances	564 552	485 612
	11 308 317	10 468 612

In-kind benefits

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

The Mayor and the Speaker has the use of separate Council owned vehicles for official duties.

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

Executive Mayor	Remuneration	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Nhlabathi MPP	601 247	230 478	20 868	90 187	942 780
Total	601 247	230 478	20 868	90 187	942 780
Speaker	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Dhlamini ES	465 970	184 382	20 868	87 176	758 396
Total	465 970	184 382	20 868	87 176	758 396
Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Mnisi TA	439 248	172 858	20 868	79 327	712 301
Total	439 248	172 858	20 868	79 327	712 301

GERT SIBANDE DISTRICT MUNICIPALITY

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26. Remuneration of councillors (continued)

Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Maboa-Boltman NF	435 909	172 858	20 868	82 666	712 301
Maboea SA	429 307	172 858	20 868	89 268	712 301
Magagula MP	450 935	172 858	20 868	67 640	712 301
Nyembe FM	435 909	172 858	20 868	82 666	712 301
Zuma NG	450 935	172 858	20 868	67 640	712 301
Motha VM	411 206	172 858	20 868	109 347	714 279
	2 614 201	1 037 148	125 208	499 227	4 275 784

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26. Remuneration of councillors (continued)

Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Bongwe JS	6 407	-	-	-	6 407
Bosch PR	30 485	10 162	-	-	40 647
Brussow JLI	37 052	12 350	-	-	49 402
De Ville JR	37 052	12 350	-	-	49 402
Dube JJ	184 828	69 471	20 868	25 491	300 658
Greyling GS	37 052	12 350	-	-	49 402
Hlatshwayo B	1 816	4 818	-	-	6 634
Joubert LK	169 802	69 471	20 868	42 210	302 351
Kubheka MN	203 480	74 932	22 607	29 321	330 340
Labuschagne PJ	30 485	10 162	-	-	40 647
Madonsela EM	37 052	12 350	-	-	49 402
Mahlangu BD	30 485	10 162	-	-	40 647
Mahlangu H	169 802	69 471	20 868	42 210	302 351
Mahlobo MA	5 448	10 169	-	-	15 617
Makola MB	30 485	10 162	-	-	40 647
Malatsi PV	4 590	-	-	-	4 590
Malinga TV	60 395	22 807	5 217	8 228	96 647
Manzi NE	7 190	2 397	-	-	9 587
Masango SA	30 485	10 162	-	-	40 647
Masina LL	2 774	-	-	-	2 774
Maseko BP	37 052	12 350	-	-	49 402
Mkhwanazi LVA	37 052	12 350	-	-	49 402
Mkhwanazi ZG	30 485	10 162	-	-	40 647
Mlotshwa TL	184 828	69 471	20 868	27 184	302 351
Moloi LE	4 540	9 937	-	-	14 477
Morajane CM	908	-	-	-	908
Motha TW	37 052	12 350	-	-	49 402
Mnisi SM	3 632	5 282	-	-	8 914
Msibi GS	193 814	74 295	-	29 073	297 182
Mthethwa TB	908	1 396	-	-	2 304
Mtshali BH	9 233	-	-	-	9 233
Ndinisa BJ	30 485	10 162	-	-	40 647
Nhlapo JV	908	2 315	-	-	3 223
Nhlapo NS	80 876	30 780	7 204	19 321	138 181
Nkosi AD	37 052	12 350	-	-	49 402
Nkosi FL	-	786	-	-	786
Nkosi TM	908	1 020	-	-	1 928
Nkosi VL	37 052	12 350	-	-	49 402
Nkosi RA	908	2 981	-	-	3 889
Puwani BS	20 131	6 690	-	-	26 821
Shiba BP	9 233	-	-	-	9 233
Tshabalala AJ	3 632	4 778	-	-	8 410
Shongwe MD	236 177	89 154	20 868	34 887	381 086
Soko JP	37 052	9 142	-	-	46 194
Thwala DM	37 052	12 350	-	-	49 402
Tsotetsi MP	270 565	107 556	13 912	52 105	444 138
Victor NS	21 775	7 257	-	-	29 032
Vilakazi RG	30 084	10 001	-	-	40 085
Weber WL	171 211	69 471	20 868	40 801	302 351
Yende MT	6 356	8 491	-	-	14 847
Zacarias SM	37 052	12 350	-	-	49 402
Zwane LA	184 828	69 471	20 868	25 047	300 214
Zwane TE	37 052	12 348	-	-	49 400
2 947 058	1 123 142	195 016	375 878	4 641 094	

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
27. Depreciation and amortisation		
Property, plant and equipment	17 821 125	20 269 527
Intangible assets	78 377	164 914
	17 899 502	20 434 441
28. Finance costs		
Interest on current liabilities	484 314	1 122 093
Finance leases	-	4 728 525
	484 314	5 850 618
29. Operating lease		
Nashua	437 304	482 223
Rental is payable on or before the commencement date of the contract and subsequent payments shall be payable on or before the first day of the following month over a period of 36 months.		
Significant leasing arrangements include:		
• there is no contingent rent payable.		
• there is no renewal or purchases options in the rental contract and there is no provision for escalation		
• there are no restrictions imposed by lease arrangements, such as return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.		
30. Repairs and maintenance		
Building	4 137 177	1 263 331
Fuel and oil	1 946 880	2 168 658
Office equipment	8 477	6 945
Vehicles	708 576	573 559
	6 801 110	4 012 493
31. Contracted services		
Information Technology Services	1 677 852	1 839 864
Cleaning and maintenance	372 983	747 238
	2 050 835	2 587 102
32. Grants and subsidies paid		
Other subsidies		
Grant paid to local municipalities	123 217 887	131 158 522

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
33. General expenses		
Advertising	471 178	394 333
Auditors remuneration	4 160 060	5 305 011
Bank charges	155 621	157 269
Cleaning	142 273	310 436
Consulting and professional fees	2 009 331	1 847 958
Entertainment	881 615	1 055 089
Insurance	1 328 837	1 281 153
Conferences and seminars	50 912	13 353
IT expenses	421 497	61 149
Rental equipment	2 342 727	1 911 422
Postage and courier	10 318	6 217
Printing and stationery	489 996	371 975
Royalties and license fees	1 917 358	1 646 291
Contracted security services (Guarding of municipal property)	2 874 535	2 175 854
Subscriptions and membership fees	1 391 725	1 326 516
Telephone and fax	2 848 287	2 813 161
Training	1 762 828	1 740 241
Travel - local	5 551 443	5 047 339
Equipment	198 379	373 525
Technical Support	1 058 444	772 079
Workmen's compensation	1 357 719	567 104
Forums	5 516	8 442
Municipal and other services	3 671 956	4 581 401
	35 102 555	33 767 318
34. Auditors' remuneration		
Fees	3 906 396	5 096 067
Risk management	6 764	9 927
Expenses	246 900	199 017
	4 160 060	5 305 011
35. Cash generated from operations		
Surplus	19 543 733	7 293 536
Adjustments for:		
Depreciation and amortisation	17 899 502	20 434 441
(Gain)loss on disposal of assets	33 277	(1 040 827)
Loss on termination of partnership	(17 556 188)	13 109 370
Finance costs - Finance leases	-	4 728 525
Impairment loss	614	-
Movements in retirement benefit obligation	423 000	14 000
Movements in provisions	805 000	-
Changes in working capital:		
Inventories	7 605 600	23 122 497
Receivables from non-exchange transactions	1 643 613	3 465 529
Movement in study bursaries	84 855	(237 792)
Movement in other receivables	(91 288)	(106 282)
Payables from exchange transactions	145 526	(24 353 276)
Movement in VAT receivable	(2 313 925)	134 272
Unspent conditional grants and receipts	657 246	1 231 216
	28 880 565	47 795 209

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
36. Commitments		
Authorised capital and operational expenditure		
Capital commitments - already contracted for but not provided for		
• Infrastructure projects	6 825 886	-
Operational commitments - already contracted for but not provided for		
• Projects and operations	11 367 692	42 267 392
Total capital commitments		
Already contracted for but not provided for	6 825 886	-
Not yet contracted for and authorised by accounting officer	11 367 692	42 267 392
	18 193 578	42 267 392

This committed expenditure relates to property and projects as well as operational commitments and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

37. Contingencies

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

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37. Contingencies (continued)

Contingencies for 2015

Inhlakanipho Consultants-Contractual

The dispute arising out of tender 11/2007: Upgrading of Empulizi Water Treatment Works.

Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho acted out of the scope of the appointment. The municipality then only paid for planning and the construction as per the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future construction work. Awaiting court date.

Litigation employee

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1 000 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Hlakoapitsi

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 200 000. Judgement was received on 17 March 2015 in favour of GSDM. Hlakoapitsi might take GSDM on trial.

Federation for sustainable environment

Matter was withdrawn, cost estimated to amount to R 450 000. Matter is pending with cost instruction to be determined.

Aqua Transport & Plant Hire vs GSDM

Plaintiff is suing council to the amount of R 47 570 in respect of services rendered at councils special instance and request. The matter is before the Ermelo Magistrate's court and the total financial implication could be R 86 569, 92 inclusive of legal fees. Defendants plea is being prepared and will be served and filed in due course.

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990 in respect of services rendered at councils special instance and request. The matter is before the high court (Gauteng Division Pretoria) and the total implication could be R 1 373 990 inclusive of legal fees. Plaintiffs declaration is awaited which is equivalent to plaintiffs particulars of claim.

Contingencies for 2016

Inhlakanipho Consultants-Contractual

The dispute arising out of tender 11/2007: Upgrading of Empulizi Water Treatment Works.

Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho acted out of the scope of the appointment. The municipality then only paid for planning and the construction as per the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future construction work. The matter was set down for trial on 8 September 2015 but was postponed on account of the applicant.

Litigation employee

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1 000 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. A court date is awaited.

Hlakoapitsi

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 200 000. Judgement was received on 17 March 2015 in favour of GSDM. Hlakoapitsi might take GSDM on trial.

Federation for sustainable environment

Matter was withdrawn, cost estimated to amount to R 450 000. Matter is pending with cost instruction to be determined.

Aqua Transport & Plant Hire vs GSDM

Plaintiff is suing council to the amount of R 47 570 in respect of services rendered at councils special instance and request.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

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37. Contingencies (continued)

The matter is before the Ermelo Magistrates court and the total financial implication could be R 90 570 inclusive of legal fees. GSDM applies for rescision of judgement and migistarte ruled in municipality's favour.

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990 in respect of services rendered on behalf of councils, however no resolution was approved in this regard. The matter is before the high court (Gauteng Division Pretoria) and the total implication could be R 1 403 990 inclusive of legal fees. The matter is set down for trial.

Watco Consulting vs GSDM

Plaintiff is suing council to the amount of R 134 546 in respect of damages, suffered by the plaintiff as a result of a motor vehicle accident. The matter will be in front of the Ermelo Magistrate's court under case number 3411/2015 and the total financial implication for council, including legal fees amount to R 228 546. There is a good prospect of defence as the plaintiff failed to comply with legal requirements.

Nedbank vs GSDM

Council is seeking an opinion and verification that all VAT obligations were honoured by the Trust which was established to purchase the council offices in Secunda. The Trust was dissolved as the property was sold to a third party. A meeting was arranged with counsel on 23 May 2016 and her legal opinion is awaited.

38. Related parties

Relationships

Accounting Officer

Controlled entities

Refer to accounting officer's report note

Eastvaal Development Trust

Related party transactions

Distribution from/(to) entities

Eastvaal Development Trust

Eastvaal Financing Partnership

- (849 532)

- 6 413 747

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

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39. Prior period adjustments

Prior period error

1. Work in Progress - Dipaleseng Local Municipality and Mkhondo Local Municipality

The planning costs for a proposed additions to the disaster centres at Dipaleseng (R 17,763) and Mkhondo (R105,409) Local Municipalities will not be realised as capital projects in the near future and hence the total planning cost of R 123,172 is being written back.

2. Overstate debtor - Mhlathuze Water Board

This debtor had been inadvertently been overstated by R 80,409 in the 2014/15 year and now being corrected.

3. Long service awards - Accounting for long service awards

Accounting for long service awards for 2015 to the amount of R3,522,000.

Prior period reclassification

4. Operating Lease Expenses - Accounting for Operating lease expences Nashua

Reclassification of payment for rental to payment of lease rental on operating lease to the amount of R482,223.

The correction of the above errors, omissions and reclassification resulted in adjustments as follows:

Statement of financial position

1, Decrease in Work in progress (Property, plant and equipment) - Planning cost of project that will not be realised and is being written back	-	(123 172)
2, Decrease in receivables from non-exchange transactions - Other debtors	-	(80 409)
3, Increase in Non- Current liabilities - Long service awards	-	(3 522 000)

Statement of change in net assets

1, Decrease in accumulated surplus - Work in progress written back	-	123 172
2, Decrease in accumulated surplus - Income for service charges reduced (other income)	-	80 409
3, Decrease in accumulated surplus - Provision for long service awards	-	3 247 000
3, Decrease in accumulated surplus - Finance cost	-	309 000
3, Decrease in accumulated surplus - Employee related cost	-	401 000
3, Increase in accumulated surplus - General expenditure - Actuarial gain	-	(435 000)

Statement of financial performance

Expenditure

4, General expenditure	-	(482 223)
4, Lease rental on operating lease	-	482 223

40. 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Management ratio's are also prepared and monitored on a monthly basis.

Credit risk

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

The risk relating to investments is minimised due to the nature of the municipal entities finance structure.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
40. Risk management (continued)		
Market risk		
Interest rate risk		
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
41. Irregular expenditure		
Opening balance	98 800	51 780 167
Add: Irregular Expenditure - current year	-	98 800
Less: Irregular expenditure - prior year - written back/impaird	(98 800)	(51 780 167)
	<u>-</u>	<u>98 800</u>
Details of irregular expenditure impaired / written back		
	Resolution for impairment / written back	
Game Ermelo (Payment Voucher 605328)	C60/06/2016	(73 800)
Pat Bus Servises (Payment Voucher 605136)	C60/06/2016	(25 000)
		<u>(98 800)</u>
42. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	-	35 502
43. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 387 455	1 197 755
Amount paid - current year	(1 387 455)	(1 197 755)
	<u>-</u>	<u>-</u>
Material losses through criminal conduct		
Audit fees		
Current year subscription / fee	4 421 244	4 780 268
Amount paid - current year	(4 421 244)	(4 780 268)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	18 913 243	18 019 929
Amount paid - current year	(18 913 243)	(18 019 929)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	26 354 309	24 879 633
Amount paid - current year	(26 354 309)	(24 879 633)
	<u>-</u>	<u>-</u>

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	8 154 917	5 840 992

VAT output payables and VAT input receivables are shown in note 8.

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

Councillors' arrear consumer accounts

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

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

44. Events after the reporting date

There was no evidence of any material event that occurred after the reporting date that may have an impact on the results reflected in these annual financial statements as at the reporting date.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

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45. Deviations from supply chain management regulations

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

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

Deviations for 2015

The amount for deviations with the 2015 financial year amounted to R2 358 689.

Deviations for 2016

The amount for deviations with the 2016 financial year amounted to R2 021 830 (See detail information below):

DATE	DEPARTMENT PAYMENT NO	SUPPLIER	AMOUNT (R)	DEVIATION	REASON FOR DEVIATION
20/07/2015	Corporate Services - 608058	Ermelo Inn/ African Sky Hotel	59 280	Request for quotation process was not adhered to	The request to procure the accommodation for the GSDM Councillors to attend their CDP Programme was received on the 15/7/2015 for the 20/7/2015 which did not provide 7 days for the advertisement on the website. The specification was that all Councillors are to be accommodated in one accommodation.
29/07/2015	Corporate Services - 608147	Lexis Nexis (Pty) Ltd	10 626	No quotations obtained	Selected members were to attend Annual Labour Law conference provided only by Lexis Nexis (Pty) Ltd.
30/07/2015	Corporate Services - 608180	Twala Attorneys	31 565	No quotations obtained	On going legal services on the existing case.
19/08/2015	Technical Services - 608479	Van Dyk Electrical	22 342	No quotations obtained	Emergency repairs needed during the load shedding schedules on electrical and HVAC Maintenance equipment.
11/09/2015	Technical Services - 608815	Van Dyk Electrical	7 410	No quotations obtained	Emergency repairs needed during the load shedding schedules on electrical and HVAC Maintenance equipment.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand			2016	2015	
45. Deviations from supply chain management regulations (continued)					
17/09/2015	Community & Social Services - 608854	Compass Events & Conferences	104 020	Service provider did not submit for tender when the RFQ was advertised.	The RFQ was advertised, only 2 service providers submitted. The recommended service provider increased the amount on the invoice from the quotation. This was the lowest quote obtained after the RFQ process.
21/09/2015	Human Settlement - 608894	Liduka (Pty) Ltd	3 250	Only 1 quotation was obtained.	The attendance for the meeting was underestimated and the extra 30 people attended were suppose to be catered for in the same meeting by the same service provider.
23/09/2015	Corporate Services - 608897	TMN Kgomo & Associates	103 099	No quotations were obtained	On going legal services on the existing case.
01/10/2015	Corporate Services - 608969	SABC radio Airtime Sales	268 000	No quotations were obtained	This procurement was executed in order to support the decision of the EXCO lekgotla to strengthen the communication in the Province in line with the Provincial Communication Plan and the Provincial Executive Committee for the SABC to reserve 30 slots every Thursday for the three (3) Municipal Managers in the Province.
08/10/2015	Office of the Municipal Manager - 609100	Institute for Performance	20 155	Only 1 quotation was obtained.	The service provider developed and implemented performance management methodology and framework for GSDM. The service provider also established systems on performance reporting and evaluation for Section 54A Managers. Therefore it was deemed ideal to appoint the supplier to to facilitate the work as well.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand				2016	2015
45. Deviations from supply chain management regulations (continued)					
16/10/2015	Planning & economic development - 609216	Reed Geomatics Inc	5 347	Only 1 quotation was obtained.	The procurement of this service provider's services was as a result of an ongoing professional surveying duties that had to be performed regarding the Secunda offices and this was the cancellation of a servitude over ERF 8727 Extention 25.
01/12/2015	Human Settlement - 609820	Babcock International Group	249 849	No quotations were obtained	Currently all five graders have encountered breakdowns during grading access road for communities of the GSDM region. It must be noted that GSDM graders were procured from this service provider and a 3 year maintenance contract for these graders between GSDM and Babcock International Group is not yet finalised.
15/02/2016	Human Settlement - 610626	Babcock International Group	62 758	No quotations were obtained	Currently all five graders have encountered breakdowns during grading access road for communities of the GSDM region. It must be noted that GSDM graders were procured from this service provider and a 3 year maintenance contract for these graders between GSDM and Babcock International Group is not yet finalised.
05/03/2016	Human Settlement - 611484	Babcock International Group	81 466	Only one quotation obtained	The Babcock International Group is the sole supplier for Volvo Graders in South Africa. Three year contract with Babcock International Group is not yet finalised. An urgent maintenance of graders was required. Therefore it was deemed only practical to purchase from Babcock.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand			2016	2015	
45. Deviations from supply chain management regulations (continued)					
20/06/2016	Corporate services - 612187	Mohlala Attorneys	206 880	Only one quotation obtained	On - going legal services on the existing case.
14/06/2016	Technical services - 612056	Van Dyk Electrical & Airconditioning	168 786	Only one quotation obtained	Emergency repairs on electrical equipment.
14/06/2016	Technical services - 612057	Van Dyk Electrical & Airconditioning	251 811	Only one quotation obtained	Emergency repairs on electrical equipment.
30/06/2016	Technical services - 612795	Klipaatdrift Transport t/a Jerzac Forestry Contractor	86 902	Only one quotation obtained	Emergency assistance to hire water tankers to deliver water to the farms within the Dr. Pixley Ka Isaka Seme Local Municipality.
30/06/2016	Technical services - 612732	Chemtec Chemical Services	273 610	Only one quotation obtained	Water purification chemicals had to be procured urgently as there was a lack of water supply in the to community in Dipaleseng Local Municipality
30/06/2016	Technical services - 612856	African oxygen Limited/ Afrox	4 674	Only one quotation obtained	Afrox was the sole supplier for the renting of the specialised gas and gas cylinders that was required for the day to day operation of the Laboratory.
			2 021 830		

46. Budget differences

Changes from the approved budget to the final adjustment budget

The changes between the approved and final adjustment budget are a consequence of reallocations within the approved budget parameters, as well as in the case of income/grant allocations. Adjustments were effected to take into consideration material reductions that were anticipated from DWS.

With regards to expenditure material expenditure amounts had to be provided to cater for renovations to infrastructure and electrical installations.

For details on these changes please refer to pages 10 annual financial statements.

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
	Rand	Rand	Rand	Rand	Rand	Rand
Lease liability Annuity loans						
ABSA bank	4 104 383	-	4 104 383	-	-	-
Total external loans	4 104 383	-	4 104 383	-	-	-
Annuitiy loans	4 104 383	-	4 104 383	-	-	-
	4 104 383	-	4 104 383	-	-	-

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY

Appendix B
 June 2016

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

	Cost/Revaluation											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
Land and buildings														
Land (Separate for AFS purposes)	360 000	-	-	-	-	-	360 000	-	-	-	-	-	-	360 000
Building fixtures	6 459 823	-	-	-	-	-	6 459 823	(1 023 691)	-	-	(258 923)	-	(1 282 614)	5 177 209
Buildings (Separate for AFS purposes)	310 078 435	-	-	-	-	-	310 078 435	(43 573 645)	-	-	(10 357 172)	-	(53 930 817)	256 147 618
	316 898 258	-	-	-	-	-	316 898 258	(44 597 336)	-	-	(10 616 095)	-	(55 213 431)	261 684 827
Infrastructure														
Infrastructure	29 455 864	-	-	-	-	-	29 455 864	(9 134 242)	-	-	(2 253 678)	-	(11 387 920)	18 067 944
Park Facilities	691 475	-	-	-	-	-	691 475	(82 143)	-	-	(25 825)	-	(107 968)	583 507
	30 147 339	-	-	-	-	-	30 147 339	(9 216 385)	-	-	(2 279 503)	-	(11 495 888)	18 651 451
Community Assets														

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY

Appendix B

June 2016

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

Accumulated depreciation

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment loss		Closing Balance		Carrying value		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Heritage assets																													
Mayoral chain and portraits	154 250	-	-	-	-	-	-	-	-	-	-	-	-	154 250	-	-	-	-	-	-	-	-	-	-	-	-	-	154 250	
	154 250													154 250														154 250	
Specialised vehicles																													
Emergency vehicles	4 101 870	-	-	-	-	-	-	-	-	-	-	-	-	4 101 870	(3 416 298)	-	-	-	-	-	-	(411 029)	-	-	(3 827 327)	-	274 543		
	4 101 870													4 101 870	(3 416 298)							(411 029)			(3 827 327)		274 543		
Other assets																													
General vehicles	9 644 911	-	(124 540)	-	-	-	-	-	-	-	-	-	-	9 520 371	(5 404 778)	116 026	-	-	-	-	-	(921 183)	-	-	(6 208 935)	3 310 436			
Plant & equipment	508 065	29 800	-	-	-	-	-	-	-	-	-	-	-	537 865	(156 996)	-	-	-	-	-	-	(97 846)	-	-	(284 842)	283 023			
Computer Equipment	4 868 900	362 594	(32 737)	-	-	-	-	-	-	-	-	-	-	5 198 757	(2 403 915)	17 798	-	-	-	-	-	(856 938)	(538)	-	(3 243 593)	1 955 164			
Furniture & Fittings	4 495 727	-	(37 198)	-	-	-	-	-	-	-	-	-	-	4 458 529	(2 594 606)	34 224	-	-	-	-	-	(619 043)	(40)	-	(3 179 465)	1 279 064			
Office Equipment	1 908 590	571 120	(70 911)	-	-	-	-	-	-	-	-	-	-	2 408 799	(875 071)	62 074	-	-	-	-	-	(299 552)	(22)	-	(1 112 571)	1 296 228			
Office Equipment - Leased	1 761 998	-	(1 761 998)	-	-	-	-	-	-	-	-	-	-	-	(1 719 398)	1 761 398	-	-	-	-	-	(42 000)	-	-	-	-	-		
Other equipment	535 953	-	-	-	-	-	-	-	-	-	-	-	-	535 953	(46 456)	-	-	-	-	-	-	(10 741)	-	-	(57 197)	478 756			
Communication Equipment	72 420	152 613	(79 247)	-	-	-	-	-	-	-	-	-	-	145 786	(55 453)	69 986	-	-	-	-	-	(71 701)	-	-	(57 168)	88 618			
Laboratory Equipment	3 637 701	287 702	-	-	-	-	-	-	-	-	-	-	-	4 125 403	(1 648 681)	-	-	-	-	-	-	(553 355)	(13)	-	(2 202 048)	1 923 354			
Work in progress	1 999 602	558 677	-	-	-	-	-	-	-	-	-	-	-	2 558 279	-	-	-	-	-	-	-	-	-	-	-	-	2 558 279		
Construction vehicles	10 400 000	-	-	-	-	-	-	-	-	-	-	-	-	10 400 000	(1 648 624)	-	-	-	-	-	-	(1 042 136)	-	-	(2 690 760)	7 709 240			
	40 033 267	1 962 506	(2 106 031)											39 889 742	(16 553 978)	2 061 506					(4 514 495)	(613)		(19 007 580)	20 882 162				

**GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY**

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	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	391 334 984	1 962 506	(2 106 031)	-	-	-	391 191 459	(73 783 997)	2 061 506	-	(17 821 122)	(613)	(89 544 226)	301 647 233
Land and buildings	316 898 258	-	-	-	-	-	316 898 258	(44 597 336)	-	-	(10 616 096)	-	(55 213 431)	261 684 827
Infrastructure	30 147 339	-	-	-	-	-	30 147 339	(9 216 385)	-	-	(2 279 503)	-	(11 495 888)	18 651 451
Heritage assets	154 250	-	-	-	-	-	154 250	(3 416 298)	-	-	(411 029)	-	(3 827 327)	154 250
Specialised vehicles	4 101 870	-	-	-	-	-	4 101 870	(3 416 298)	-	-	(4 514 495)	(613)	(19 007 580)	274 543
Other assets	40 033 267	1 962 506	(2 106 031)	-	-	-	39 889 742	(16 553 978)	2 061 506	-	(17 821 122)	(613)	(89 544 226)	20 882 162
	391 334 984	1 962 506	(2 106 031)	-	-	-	391 191 459	(73 783 997)	2 061 506	-	(17 821 122)	(613)	(89 544 226)	301 647 233

Agricultural/Biological assets

	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
Intangible assets	1 007 054	246 432	-	-	-	-	1 253 486	(726 252)	-	-	(78 377)	-	(804 629)	448 857
Computers - software	1 007 054	246 432	-	-	-	-	1 253 486	(726 252)	-	-	(78 377)	-	(804 629)	448 857
	1 007 054	246 432	-	-	-	-	1 253 486	(726 252)	-	-	(78 377)	-	(804 629)	448 857

Investment properties

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total	392 342 038	2 208 938	(2 106 031)	-	-	-	392 444 945	(74 510 249)	2 061 506	-	(17 899 499)	(613)	(90 348 855)	302 096 090
Land and buildings	316 898 258	-	-	-	-	-	316 898 258	(44 597 336)	-	-	(10 616 096)	-	(55 213 431)	261 684 827
Infrastructure	30 147 339	-	-	-	-	-	30 147 339	(9 216 385)	-	-	(2 279 503)	-	(11 495 888)	18 651 451
Heritage assets	154 250	-	-	-	-	-	154 250	(3 416 298)	-	-	(411 029)	-	(3 827 327)	154 250
Specialised vehicles	4 101 870	-	-	-	-	-	4 101 870	(3 416 298)	-	-	(4 514 495)	(613)	(19 007 580)	274 543
Other assets	40 033 267	1 962 506	(2 106 031)	-	-	-	39 889 742	(16 553 978)	2 061 506	-	(78 377)	-	(804 629)	20 882 162
Intangible assets	1 007 054	246 432	-	-	-	-	1 253 486	(726 252)	-	-	(78 377)	-	(804 629)	448 857
	392 342 038	2 208 938	(2 106 031)	-	-	-	392 444 945	(74 510 249)	2 061 506	-	(17 899 499)	(613)	(90 348 855)	302 096 090

**GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY**

Appendix B

**Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation
Accumulated depreciation**

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

Appendix B
 June 2016

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

	Cost/Revaluation				Accumulated depreciation				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
Land and buildings														
Land	5 215 588	-	(4 855 588)	-	-	-	360 000	-	-	-	-	-	-	360 000
Building Fixtures	6 459 823	-	-	-	-	-	6 459 823	(765 475)	-	-	(258 216)	-	(1 023 691)	5 436 132
Buildings	319 657 150	112 673	(9 891 368)	-	-	-	310 078 435	(33 247 106)	-	-	(10 326 539)	-	(43 573 645)	266 504 790
	331 532 561	112 673	(14 746 976)	-	-	-	316 898 258	(34 012 581)	-	-	(10 584 755)	-	(44 597 336)	272 300 922
Infrastructure														
Infrastructure	29 455 864	-	-	-	-	-	29 455 864	(6 896 722)	-	-	(2 247 520)	-	(9 134 242)	20 321 622
Park Facilities	691 475	-	-	-	-	-	691 475	(56 388)	-	-	(25 755)	-	(82 143)	609 332
	30 147 339	-	-	-	-	-	30 147 339	(6 943 110)	-	-	(2 273 275)	-	(9 216 385)	20 930 954

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY

Appendix B
 June 2016

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

Cost/Revaluation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Mayoral chain and portraits	154 250	-	-	-	-	-	154 250	-	-	-	-	-	-	154 250
	154 250						154 250							154 250
Specialised vehicles														
Emergency Vehicles	4 101 870	-	-	-	-	-	4 101 870	(3 006 391)	-	-	(409 907)	-	(3 416 298)	685 572
	4 101 870						4 101 870	(3 006 391)			(409 907)		(3 416 298)	685 572
Other assets														
General vehicles	9 374 511	1 745 427	(1 475 027)	-	-	-	9 644 911	(5 352 816)	1 199 017	-	(1 250 980)	-	(5 404 779)	4 240 132
Plant & equipment	1 005 514	230 025	(727 474)	-	-	-	508 065	(751 723)	727 474	-	(132 748)	-	(156 997)	351 068
Computer Equipment	8 749 815	215 128	(4 096 043)	-	-	-	4 868 900	(4 360 252)	4 014 164	-	(2 057 826)	-	(2 403 914)	2 464 986
Furniture & Fittings	4 505 300	138 934	(148 507)	-	-	-	4 495 727	(2 089 586)	130 282	-	(655 283)	-	(2 594 607)	1 901 120
Office Equipment	3 232 042	15 000	(1 338 452)	-	-	-	1 908 590	(1 678 070)	1 274 958	-	(471 558)	-	(675 070)	1 033 520
Office Equipment - Leased	1 761 398	-	-	-	-	-	1 761 398	(1 222 562)	-	-	(496 816)	-	(1 719 398)	42 000
Other Equipment	535 953	-	-	-	-	-	535 953	(35 744)	-	-	(10 712)	-	(46 456)	489 497
Communication Equipment	71 079	7 339	(5 998)	-	-	-	72 420	(25 593)	5 998	-	(35 858)	-	(55 453)	16 967
Laboratory Equipment	2 923 964	913 737	-	-	-	-	3 837 701	(1 207 369)	-	-	(441 312)	-	(1 648 681)	2 189 020
Work in progress	123 172	1 999 602	-	(123 172)	-	-	1 999 602	-	-	-	-	-	-	1 999 602
Construction vehicles	10 400 000	-	-	-	-	-	10 400 000	(609 396)	-	-	(1 039 288)	-	(1 648 624)	8 751 376
	42 682 748	5 265 192	(7 791 501)	(123 172)	-	-	40 033 267	(17 313 071)	7 351 873	-	(6 592 781)	-	(16 563 979)	23 475 288

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

June 2016

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	331 532 561	112 673	(14 746 976)	-	-	-	316 898 258	(34 012 581)	-	-	(10 584 755)	-	(44 597 336)	272 300 922
Infrastructure	30 147 339	-	-	-	-	-	30 147 339	(6 943 110)	-	-	(2 273 275)	-	(9 216 385)	20 930 954
Heritage assets	154 250	-	-	-	-	-	154 250	-	-	-	-	-	-	154 250
Specialised vehicles	4 101 870	-	-	-	-	-	4 101 870	(3 006 391)	-	-	(409 907)	-	(3 416 298)	685 572
Other assets	42 682 748	5 265 192	(7 791 501)	(123 172)	-	-	40 033 267	(17 313 071)	7 351 873	-	(6 592 781)	-	(16 553 979)	23 479 288
	408 618 768	5 377 865	(22 538 477)	(123 172)	-	-	391 334 984	(61 275 153)	7 351 873	-	(19 860 718)	-	(73 783 998)	317 550 986
Intangible assets														
Computers - software	1 226 938	35 000	(254 884)	-	-	-	1 007 054	(750 917)	189 579	-	(164 914)	-	(726 252)	280 802
	1 226 938	35 000	(254 884)	-	-	-	1 007 054	(750 917)	189 579	-	(164 914)	-	(726 252)	280 802
Investment properties														
Total														
Land and buildings	331 532 561	112 673	(14 746 976)	-	-	-	316 898 258	(34 012 581)	-	-	(10 584 755)	-	(44 597 336)	272 300 922
Infrastructure	30 147 339	-	-	-	-	-	30 147 339	(6 943 110)	-	-	(2 273 275)	-	(9 216 385)	20 930 954
Heritage assets	154 250	-	-	-	-	-	154 250	-	-	-	-	-	-	154 250
Specialised vehicles	4 101 870	-	-	-	-	-	4 101 870	(3 006 391)	-	-	(409 907)	-	(3 416 298)	685 572
Other assets	42 682 748	5 265 192	(7 791 501)	(123 172)	-	-	40 033 267	(17 313 071)	7 351 873	-	(6 592 781)	-	(16 553 979)	23 479 288
Intangible assets	1 226 938	35 000	(254 884)	-	-	-	1 007 054	(750 917)	189 579	-	(164 914)	-	(726 252)	280 802
	409 845 706	5 412 865	(22 793 361)	(123 172)	-	-	392 342 038	(62 026 070)	7 541 452	-	(20 025 632)	-	(74 510 250)	317 831 788

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix E(1)

June 2016

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

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	392 986	669 690	(276 704)	(41,3)	New service - no history to determine reasonable estimates
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
Licences and permits	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Income from entities	288 679	2 520	286 159	355,5	Yearly adjusting entries for the entity not budgeted
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	2 305 673	2 101 625	204 048	9,7	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	8 048 875	5 500 000	2 548 875	46,3	Project implementation slow- more funds for investments. Interst rates were maximised.
Interest received - other	-	-	-	-	

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix E(1)

June 2016

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

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Government grants and subsidies	288 311 093	296 382 837	(8 071 744)	(2,7)
	299 347 306	304 656 672	(5 309 366)	(1,7)
Expenses				
Personnel	(100 024 046)	(111 177 810)	11 153 764	(10,0) Not all vacant positions are filled.
Manufacturing -	-	-	-	-
Employee costs	-	-	-	-
Remuneration of councillors	(11 308 317)	(12 135 750)	827 433	(6,8)
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(17 899 502)	(20 521 890)	2 622 388	(12,8) The assets of the Secunda building was written back.
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	(614)	(630)	16	(2,5)
Reversal of impairments	-	-	-	-
Finance costs	(484 314)	(150 000)	(334 314)	222,9
Bad debts written off	-	-	-	-
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(6 801 110)	(9 503 940)	2 702 830	(28,4) Repair to the buildings electricity less than anticipated
Repairs and maintenance - General	-	-	-	-
Lease rentals on operating lease	(437 304)	(440 000)	2 696	(0,6)
Contracted Services	(2 050 835)	(2 630 000)	579 165	(22,0) No service contract on gardening service
Transfers and Subsidies	(123 217 887)	(150 185 642)	26 967 755	(18,0) Slow implementation of projects with a Service Level agreement
Cost of housing sold	-	-	-	-
General Expenses	(35 102 555)	(38 977 030)	3 874 475	(9,9) No year end function and rental paid for offices.
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(297 326 484)	(345 722 692)	48 396 208	(14,0)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(33 277)	-	(33 277)	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-

GERT SIBANDE DISTRICT MUNICIPALITY**Appendix E(1)**

June 2016

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

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	17 556 188	-	17 556 188	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	17 522 911	-	17 522 911	-
Net surplus/ (deficit) for the year	19 543 733	(41 066 020)	60 609 753	(147,6)

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix E(2)
 June 2016

Actual vs Budget (Acquisition of Property Plant and Equipment) for the year ended 30 June 2016

	Additions		Revised Budget		Variance		Variance %	Explanation of significant variances from budget
	Rand		Rand		Rand			
Municipality								
Executive & Council/Mayor and Council	558 677		7 000 000		6 441 323		92	Land could not yet be identified for construction of Regional Disaster Centre. Appointment of Contractor for construction of Disaster Centre at Pixley ka Seme was terminated.
Finance & Admin/Finance	1 650 261		3 500 000		1 849 739		53	No vehicles were procured during the financial year and less laboratory equipment and furniture were procured than anticipated.
	2 208 938		10 500 000		8 291 062		79	

**Municipal Owned Entities
 Other charges**

GERT SIBANDE DISTRICT MUNICIPALITY

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

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Dec	Jan	Feb	Mar	Dec	Jan	Feb	Mar	
	Sep	Oct	Nov	Dec	Sep	Oct	Nov	Dec	
1. Department of Water and Sanitation Grant (DWS)	-	5 397 393	-	-	-	2 668 331	-	1 330 008	Yes
2. Finance Management Grant (FMG)	1 250 000	-	-	-	369 476	369 148	511 376	-	Yes
3. Municipal Systems Improvement Grant (MSIG)	940 000	-	-	-	555 585	290 000	-	94 415	Yes
4. Expanded Public Works Program Grant (EPWP)	1 070 000	803 000	-	-	688 731	1 133 988	595 064	258 218	Yes
5. Road Asset Management Grant (RAMS)	2 133 000	-	-	-	148 139	559 321	732 656	620 459	Yes
6. Data Cleansing Grant	-	-	-	-	-	-	86 766	216 987	Yes
7. Infrastructure Skills Development Grant (ISDG)	2 100 000	-	-	4 900 000	1 281 486	1 374 785	1 120 964	1 540 042	Yes
8. COGTA Grant	-	-	-	-	-	-	794 148	-	Yes
9. Revenue Replacement Grant	107 927 000	85 347 000	62 766 000	4 977 000	45 177 148	69 156 126	50 325 867	91 380 858	Yes
10. Equitable Share	4 977 000	4 977 000	4 977 000	4 977 000	4 977 000	4 977 000	4 977 000	-	Yes
	120 397 000	96 524 393	73 446 000	-	53 197 565	80 528 699	59 143 841	95 440 987	

Note 1. The following amounts were rolled over from 2014/15: For RAMS: R 1,000 For Data Cleansing Grant: R 5,37,559 For COGTA: R 1,891,307
 Note 2. The following amounts are to be rolled over to 2016/17: For RAMS: R 1,399,054 For Data Cleansing Grant: R 73,424 For ISDG: R 1,682,723