Ephraim Mogale Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Provision of basic services
Mayoral committee	
Executive Mayor	Mmakola MY
Speaker	Modisha LB
Chief Whip	Ratau MF
Traditional Leaders	Kekana PK
	Lehwelere-Mathlala MA
	Matlala MM
	Mashung MJ
	Rahlagane MP
Councillors	Bogopa JH
	Bokaba HS
	Chauke MS
	Esson BA
	Kekana KN
	Kekana MJ (Appointed October 2015)
	Kekana MM
	Mabaso WM
	Makanyane GN
	Mamogobo SC
	Mashego GB
	Mokonyane MJ
	MolotshwaFK
	Moraswi ME
	Mothwa NM
	Mphahlele LJ
	Nchabeleng MJ
	Ndobeni NR
	Phala MG
	Phatlane NF (Appointed November 2015)
	Ranoto P
	Sebothoma OE
	Sehlola ET
	Seoka KM
	Seono MR
	Tshiguvho EM
Grading of local authority	Grade 2
Capacity of local authority	Low capacity
Municipal demarcation code	LIM471
Accounting Officer	Mathebela MM
Chief Finance Officer (CFO)	Ramosibi K
Registered office	No. 13 Ficus street
	Civic centre
	Marble Hall

General Information

	Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	PO Box 111 Marble Hall Limpopo 0450
Bankers	ABSA Bank First National Bank Nedbank
Auditors	Auditor-General of South Africa
Attorneys	Kgatla Incorporated Mamadimo Magane Attorneys Popela Maake Attorneys Renqe Kunene Incorporated

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
EPWP	Expanded Public Work Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South Africa Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) (MFMA), 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 engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The annual financial statements set out on pages 7 to 87, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016.

Accounting Officer
MM Mathebela

31 August 2016

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Malatji TM (Chairperson)	5
Fihlani Z	2
Letsela MH	6
Matabane BTA	6
Ramataboe M	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2) (a) of the MFMA.

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

The effectiveness of internal control

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

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

Evaluation of annual financial statements

The audit committee has:

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

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

Internal audit

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

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: sanitation services, electricity services, property rates.

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

Net surplus of the municipality was R 67 635 916 (2015: surplus R 48 110 304).

2. Going concern

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

3. Subsequent events

On 11 August 2016, the Minister of Co-operative Governance and Traditional Affairs announced that municipal councillors who were not re-elected will each receive a monetary payment for their services and contributions as soon as the new councillors are sworn in. Councillors who have five or more years of service will get an amount equal to three months' salary and the rest will receive a pro rata amount.

4. Accounting policies

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

5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mathebela MM	South African

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	113 249 023	80 804 597
Deposits	4	339 518	260 564
Receivables from exchange transactions	5&7	9 399 366	6 217 663
Receivables from non-exchange transactions	6&7	34 886 323	17 869 156
VAT receivable	8	5 316 377	1 711 410
Inventories	9	791 885	798 751
		163 982 492	**107 662 141**
Non-Current Assets			
Investment property	10	57 562 700	51 773 000
Property, plant and equipment	11	803 262 197	793 217 685
Heritage assets	12	81 647	76 494
		860 906 544	**845 067 179**
Total Assets		**1 024 889 036**	**952 729 320**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	41 597 441	35 771 654
Consumer deposits	14	1 529 723	1 568 314
Finance lease obligation	15	1 537 792	1 425 253
Unspent conditional grants and receipts	16	9 363 891	9 626 998
Provisions	17	805 709	-
		54 834 556	**48 392 219**
Non-Current Liabilities			
Finance lease obligation	15	2 070 549	3 589 907
Provisions	17	6 055 872	9 472 078
Employee benefit obligation	18	20 362 874	17 351 000
		28 489 295	**30 412 985**
Total Liabilities		**83 323 851**	**78 805 204**
Net Assets		**941 565 185**	**873 924 116**
Reserves			
Revaluation reserve		81 647	76 494
Accumulated surplus		941 483 538	873 847 622
Total Net Assets		**941 565 185**	**873 924 116**

* See Note 43

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	49 000 161	40 764 929
Rental income	22	126 558	123 685
Licences and permits		3 994 013	3 913 628
Other income	21	3 382 271	15 012 902
Interest received	23	8 179 005	4 979 205
Total revenue from exchange transactions		**64 682 008**	**64 794 349**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	29 797 752	25 771 580
Transfer revenue			
Government grants and subsidies	25	168 270 172	126 296 106
Fines and penalties		1 553 784	1 868 179
Total revenue from non-exchange transactions		**199 621 708**	**153 935 865**
Total revenue	19	**264 303 716**	**218 730 214**
Expenditure			
Bulk purchases	32	(27 803 116)	(22 025 056)
Collection costs		(845 527)	-
Contracted services	33	(4 680 336)	(5 350 682)
Debt impairment	30	(3 497 031)	(579 633)
Depreciation	28	(41 399 062)	(40 786 176)
Employee related costs	26	(59 376 780)	(56 053 712)
Finance costs	29	(2 428 839)	(2 042 079)
General expenses	35	(29 906 876)	(27 180 391)
Grant and subsidies paid	34	(1 936 760)	(1 560 320)
Impairment loss	51	(1 524 703)	-
Remuneration of councillors	27	(10 633 213)	(10 343 455)
Repairs and maintenance	31	(7 879 034)	(7 927 272)
Total expenditure		**(191 911 277)**	**(173 848 776)**
Operating surplus		**72 392 439**	**44 881 438**
Loss on disposal of assets and liabilities		(9 274 607)	(1 305 664)
Fair value adjustments	36	5 804 700	1 338 000
Actuarial gains/(losses)	18	(1 286 616)	3 196 530
		(4 756 523)	**3 228 866**
Surplus for the year		**67 635 916**	**48 110 304**

* See Note 43

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	-	891 112 229	891 112 229
Adjustments			
Correction of errors	-	(65 374 911)	(65 374 911)
Balance at 01 July 2014 as restated*	**-**	**825 737 318**	**825 737 318**
Changes in net assets			
Surplus for the year	-	48 110 304	48 110 304
Changes in revaluation surplus	76 494	-	76 494
Total changes	76 494	48 110 304	48 186 798
Restated* Balance at 01 July 2015	**76 494**	**873 847 622**	**873 924 116**
Changes in net assets			
Revaluation: Heritage Assets	5 153	-	5 153
Net income (losses) recognised directly in net assets	5 153	-	5 153
Surplus for the year	-	67 635 916	67 635 916
Total recognised income and expenses for the year	5 153	67 635 916	67 641 069
Total changes	5 153	67 635 916	67 641 069
Balance at 30 June 2016	**81 647**	**941 483 538**	**941 565 185**

* See Note 43

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Government grants and subsidies		168 007 065	126 497 000
Services		59 291 481	83 557 099
Interest income		8 179 005	4 979 204
		235 477 551	215 033 303
Payments			
Employee costs		(68 153 142)	(67 926 001)
Suppliers		(68 117 471)	(67 971 144)
Finance costs		(375 511)	(256 803)
		(136 646 124)	(136 153 948)
Net cash flows from operating activities	38	**98 831 427**	**78 879 355**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(64 980 180)	(46 508 203)
Proceeds from sale of property, plant and equipment	11	(1)	-
Net cash flows from investing activities		**(64 980 181)**	**(46 508 203)**
Cash flows from financing activities			
Finance lease payments		(1 406 820)	(1 316 866)
Net increase/(decrease) in cash and cash equivalents		**32 444 426**	**31 054 286**
Cash and cash equivalents at the beginning of the year		80 804 597	49 750 311
Cash and cash equivalents at the end of the year	3	**113 249 023**	**80 804 597**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	56 598 737	(2 374 780)	**54 223 957**	49 000 161	**(5 223 796)**	1
Rental of facilities and equipment	197 430	-	**197 430**	126 558	**(70 872)**	2
Licences and permits	12 537 442	(1 712 696)	**10 824 746**	3 994 013	**(6 830 733)**	3
Other income	-	5 309 359	**5 309 359**	3 382 271	**(1 927 088)**	4
Interest received	4 692 135	(1 280 281)	**3 411 854**	8 179 005	**4 767 151**	5
Total revenue from exchange transactions	**74 025 744**	**(58 398)**	**73 967 346**	**64 682 008**	**(9 285 338)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 430 546	335 809	**26 766 355**	29 797 752	**3 031 397**	6
Transfer revenue						
Government grants and subsidies	154 713 000	23 011 882	**177 724 882**	168 270 172	**(9 454 710)**	7
Fines and penalties	309 774	373 505	**683 279**	1 553 784	**870 505**	8
Total revenue from non-exchange transactions	**181 453 320**	**23 721 196**	**205 174 516**	**199 621 708**	**(5 552 808)**	
Total revenue	**255 479 064**	**23 662 798**	**279 141 862**	**264 303 716**	**(14 838 146)**	
Expenditure						
Employee related cost	(62 975 479)	738 734	**(62 236 745)**	(59 376 780)	**2 859 965**	9
Remuneration of councillors	(10 765 459)	(237 511)	**(11 002 970)**	(10 633 213)	**369 757**	10
Depreciation	(42 400 000)	-	**(42 400 000)**	(41 399 062)	**1 000 938**	11
Impairment loss	-	-	**-**	(1 524 703)	**(1 524 703)**	12
Finance costs	(4 692 135)	3 939 323	**(752 812)**	(2 428 839)	**(1 676 027)**	13
Debt impairment	-	-	**-**	(3 497 031)	**(3 497 031)**	14
Collection costs	-	-	**-**	(845 527)	**(845 527)**	15
Repairs and maintenance	-	(12 729 542)	**(12 729 542)**	(7 879 034)	**4 850 508**	16
Bulk purchases	(27 220 941)	(994 000)	**(28 214 941)**	(27 803 116)	**411 825**	17
Contracted services	-	-	**-**	(4 680 336)	**(4 680 336)**	20
Transfers and subsidies	-	-	**-**	(1 936 760)	**(1 936 760)**	18
General expenses	(122 563 648)	(38 934 707)	**(161 498 355)**	(29 906 876)	**131 591 479**	19
Total expenditure	**(270 617 662)**	**(48 217 703)**	**(318 835 365)**	**(191 911 277)**	**126 924 088**	
Operating surplus	**(15 138 598)**	**(24 554 905)**	**(39 693 503)**	**72 392 439**	**112 085 942**	
Loss on disposal of assets and liabilities	-	-	**-**	(9 274 607)	**(9 274 607)**	25
Fair value adjustments	-	-	**-**	5 804 700	**5 804 700**	26
Actuarial gains/(losses)	-	-	**-**	(1 286 616)	**(1 286 616)**	27
	-	**-**	**-**	**(4 756 523)**	**(4 756 523)**	
Surplus before taxation	**(15 138 598)**	**(24 554 905)**	**(39 693 503)**	**67 635 916**	**107 329 419**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(15 138 598)**	**(24 554 905)**	**(39 693 503)**	**67 635 916**	**107 329 419**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	791 885	**791 885**	21
Receivables from exchange transactions	-	-	-	9 399 366	**9 399 366**	21
Receivables from non-exchange transactions	-	-	-	34 886 323	**34 886 323**	21
VAT receivable	-	-	-	5 316 377	**5 316 377**	21
Deposits	-	3 000 000	**3 000 000**	339 518	**(2 660 482)**	21
Cash and cash equivalents	-	31 000 000	**31 000 000**	113 249 023	**82 249 023**	21
	-	**34 000 000**	**34 000 000**	**163 982 492**	**129 982 492**	
Non-Current Assets						
Investment property	-	-	-	57 562 700	**57 562 700**	21
Property, plant and equipment	-	78 213 000	**78 213 000**	803 262 197	**725 049 197**	21
Heritage assets	-	-	-	81 647	**81 647**	21
	-	**78 213 000**	**78 213 000**	**860 906 544**	**782 693 544**	
Total Assets	**-**	**112 213 000**	**112 213 000**	**1 024 889 036**	**912 676 036**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	1 537 792	**1 537 792**	22
Payables from exchange transactions	-	4 000 000	**4 000 000**	41 597 441	**37 597 441**	22
Consumer deposits	-	-	-	1 529 723	**1 529 723**	22
Unspent conditional grants and receipts	-	-	-	9 363 891	**9 363 891**	22
Provisions	6 900 000	(6 900 000)	-	805 709	**805 709**	22
	6 900 000	**(2 900 000)**	**4 000 000**	**54 834 556**	**50 834 556**	
Non-Current Liabilities						
Finance lease obligation	-	-	-	2 070 549	**2 070 549**	22
Employee benefit obligation	-	-	-	20 362 874	**20 362 874**	22
Provisions	-	-	-	6 055 872	**6 055 872**	22
	-	**-**	**-**	**28 489 295**	**28 489 295**	
Total Liabilities	**6 900 000**	**(2 900 000)**	**4 000 000**	**83 323 851**	**79 323 851**	
Net Assets	**(6 900 000)**	**115 113 000**	**108 213 000**	**941 565 185**	**833 352 185**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	81 647	**81 647**	23
Accumulated surplus	(6 900 000)	115 113 000	**108 213 000**	941 483 538	**833 270 538**	23
Total Net Assets	**(6 900 000)**	**115 113 000**	**108 213 000**	**941 565 185**	**833 352 185**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	81 294 378	(4 170 378)	**77 124 000**	60 436 126	**(16 687 874)**	
Grants	154 713 000	23 012 000	**177 725 000**	168 007 065	**(9 717 935)**	
Interest income	4 692 000	800 000	**5 492 000**	8 179 005	**2 687 005**	
Other receipts	16 474 832	2 327 168	**18 802 000**	-	**(18 802 000)**	
	257 174 210	**21 968 790**	**279 143 000**	**236 622 196**	**(42 520 804)**	
Payments						
Employee costs	(73 741 000)	501 000	**(73 240 000)**	(65 313 585)	**7 926 415**	
Suppliers	(140 074 000)	28 095 000	**(111 979 000)**	(70 048 845)	**41 930 155**	
Finance costs	-	(753 000)	**(753 000)**	(2 053 328)	**(1 300 328)**	
	(213 815 000)	**27 843 000**	**(185 972 000)**	**(137 415 758)**	**48 556 242**	
Net cash flows from operating activities	**43 359 210**	**49 811 790**	**93 171 000**	**99 206 438**	**6 035 438**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(70 215 000)	21 760 000	**(48 455 000)**	(64 980 180)	**(16 525 180)**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	(2 009 000)	**(2 009 000)**	(1 782 331)	**226 669**	
Net increase/(decrease) in cash and cash equivalents	(26 855 790)	69 562 790	**42 707 000**	32 443 927	**(10 263 073)**	24
Cash and cash equivalents at the beginning of the year	-	81 867 000	**81 867 000**	80 804 597	**(1 062 403)**	24
Cash and cash equivalents at the end of the year	**(26 855 790)**	**151 429 790**	**124 574 000**	**113 248 524**	**(11 325 476)**	

Refer to note 52 for the explanation of material differences between the budget and actual amounts.

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2016											
Financial Performance											
Property rates	26 430 546	335 809	26 766 355	-		26 766 355	29 797 752		3 031 397	111 %	113 %
Service charges	56 598 737	(2 374 780)	54 223 957	-		54 223 957	49 000 161		(5 223 796)	90 %	87 %
Investment revenue	4 692 135	(3 521 757)	1 170 378	-		1 170 378	8 179 005		7 008 627	699 %	174 %
Transfers recognised - operational	122 308 000	-	122 308 000	-		122 308 000	121 287 155		(1 020 845)	99 %	99 %
Other own revenue	13 044 645	6 211 644	19 256 289	-		19 256 289	14 861 326		(4 394 963)	77 %	114 %
Total revenue (excluding capital transfers and contributions)	**223 074 063**	**650 916**	**223 724 979**	**-**		**223 724 979**	**223 125 399**		**(599 580)**	**100 %**	**100 %**
Employee costs	(62 975 479)	738 734	(62 236 745)	-	-	(62 236 745)	(59 376 780)	-	2 859 965	95 %	94 %
Remuneration of councillors	(10 765 459)	(237 511)	(11 002 970)	-	-	(11 002 970)	(10 633 213)	-	369 757	97 %	99 %
Debt impairment	-	-	-			-	(3 497 031)	-	(3 497 031)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(42 400 000)	-	(42 400 000)			(42 400 000)	(42 923 765)	-	(523 765)	101 %	101 %
Finance charges	(4 692 135)	3 939 323	(752 812)	-	-	(752 812)	(2 428 839)	-	(1 676 027)	323 %	52 %
Materials and bulk purchases	(27 220 941)	-	(27 220 941)	-	994 000	(26 226 941)	(27 803 116)	-	(1 576 175)	106 %	102 %
Transfers and grants	-	-	-	-	-	-	(1 936 760)	-	(1 936 760)	DIV/0 %	DIV/0 %
Other expenditure	(122 563 649)	(52 658 598)	(175 222 247)	-	(994 000)	(176 216 247)	(53 872 996)	-	122 343 251	31 %	44 %
Repairs and maintenance	-	-	-	-	-	-	(7 879 034)	-	(7 879 034)	DIV/0 %	DIV/0 %
Total expenditure	**(270 617 663)**	**(48 218 052)**	**(318 835 715)**	**-**	**-**	**(318 835 715)**	**(210 351 534)**	**-**	**108 484 181**	**66 %**	**78 %**
Surplus/(Deficit)	**(47 543 600)**	**(47 567 136)**	**(95 110 736)**	**-**		**(95 110 736)**	**12 773 865**		**107 884 601**	**(13)%**	**(27)%**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	32 405 000	23 011 882	55 416 882	-		55 416 882	46 983 017		(8 433 865)	85 %	145 %
Surplus (Deficit) after capital transfers and contributions	**(15 138 600)**	**(24 555 254)**	**(39 693 854)**	**-**		**(39 693 854)**	**59 756 882**		**99 450 736**	**(151)%**	**(395)%**
Surplus/(Deficit) for the year	**(15 138 600)**	**(24 555 254)**	**(39 693 854)**	**-**		**(39 693 854)**	**59 756 882**		**99 450 736**	**(151)%**	**(395)%**
Capital expenditure and funds sources											
Total capital expenditure	70 815 213	17 639 882	88 455 095	-		88 455 095	(64 980 180)		(153 435 275)	(73)%	(92)%
Sources of capital funds											
Transfers recognised - capital	32 405 000	23 011 882	55 416 882	-		55 416 882	46 308 984		(9 107 898)	84 %	143 %
Internally generated funds	38 410 213	(5 372 000)	33 038 213	-		33 038 213	93 526 185		60 487 972	283 %	243 %
Total sources of capital funds	**70 815 213**	**17 639 882**	**88 455 095**	**-**		**88 455 095**	**139 835 169**		**51 380 074**	**158 %**	**197 %**

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	43 359 423	49 811 029	93 170 452	-		93 170 452	98 831 427		5 660 975	106 %	228 %
Net cash from (used) investing	(70 215 213)	21 760 257	(48 454 956)	-		(48 454 956)	(64 980 181)		(16 525 225)	134 %	93 %
Net cash from (used) financing	-	(2 009 000)	(2 009 000)	-		(2 009 000)	(2 009 000)		-	100 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(26 855 790)**	**69 562 286**	**42 706 496**	**-**		**42 706 496**	**31 842 246**		**(10 864 250)**	**75 %**	**(119)%**
Cash and cash equivalents at the beginning of the year	-	81 866 824	81 866 824	-		81 866 824	80 804 597		(1 062 227)	99 %	DIV/0 %
Cash and cash equivalents at year end	**(26 855 790)**	**151 429 110**	**124 573 320**	**-**		**124 573 320**	**112 646 843**		**11 926 477**	**90 %**	**(419)%**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the 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 receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

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

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

Useful lives of property, plant and equipment and other assets

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

Post-retirement benefits

The present value of the post retirement obligation 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. In determining the appropriate discount rate, the municipality considers 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 18.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For 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 Investment property

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

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

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

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

The gains or losses arising from the derocognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the 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.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Subsequent to initial measurement Property, plant and equipment is 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 assessed as follows:

Item	Average useful life
Buildings	20-30 years
Community assets	5-25 years
Infrastructure	2-100 years
Land	Indefinite
Landfill site	2-100 years
Motor vehicles	5 years
Office equipment	4-6 years

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

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

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

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

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

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.

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

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.5 Site restoration and dismantling cost (continued)

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

1.6 Heritage assets

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

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 holds 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 X Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

Impairment

The municipality assesses 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.

1.6 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 included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.
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A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Deposit	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumer deposit	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

1.7 Financial instruments (continued)

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.8 Statutory receivables

Identification

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

1.8 Statutory receivables (continued)

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

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

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

Recognition

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

1.8 Statutory receivables (continued)

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

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

Derecognition

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP 104 or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Any contingent rents are recognised separately as a expensed in the period in which they are incurred.

1.9 Leases (continued)

Operating leases - lessor

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

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

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

Any contingent rents are recognised separately as a 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.

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

Any contingent rents are recognised separately as a expensed in the period in which they are incurred.

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Value-added Tax (VAT)

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

Accounting Policies

1.12 Impairment of cash-generating assets

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

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

Value in use

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

When estimating the value in use of an asset, the 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.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the 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 uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

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

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

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

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

1.14 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.

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

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

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

Post-employment benefits

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality 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, the municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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.

1.14 Employee benefits (continued)

Other long-term employee benefits

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality 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.

Termination benefits

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

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes (as a minimum):
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

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

1.15 Provisions and contingencies

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

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

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

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

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the 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 a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a 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 events 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
- present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

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

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

1.16 Revenue from exchange transactions

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

1.17 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.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

Recognition

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

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

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

1.17 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

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

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

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

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

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

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

Transfers

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.18 Borrowing costs

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

1.18 Borrowing costs (continued)

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise that 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;
- 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 that specific 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 Finance 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 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.

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

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in no.38

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

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

1.24 Grants in aid

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

- receive any goods or services directly in return, as would be expected 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 raise to the transfer occurred.

1.25 Budget information

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

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

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

1.26 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the 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.

1.27 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.
The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions
of users taken on the basis of the financial statements.

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:

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

The following amendments were made to the standard:

2. New standards and interpretations (continued)

- 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 expects to adopt the standard for the first time in the 2016 annual financial statements.

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

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.

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

The impact of the standard is not material.

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

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 a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality 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 a municipality within a particular region.

2. New standards and interpretations (continued)

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

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

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

GRAP 20: Related parties

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

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

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

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting 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.
- 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

2. New standards and interpretations (continued)

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

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

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

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

The municipality has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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 108: Statutory Receivables

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

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

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

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

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

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

2. New standards and interpretations (continued)

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

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

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

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

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

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

The interpretation 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 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.

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.

	2016	2015
	R	R

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 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:

	2016	2015
Bank balances	89 411 611	58 404 750
Other cash and cash equivalents	23 837 412	22 399 847
	113 249 023	**80 804 597**

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
First National Bank - Cheque	1 530 093	6 872 361	16 756 404	1 375 601	6 718 119	16 756 404
First National Bank - Cheque	-	-	-	32 504	32 502	32 503
ABSA Bank - Cheque Account	79 224 293	43 282 557	11 677 241	88 003 506	51 654 129	11 706 865
Nedbank - Call account	23 837 412	22 399 847	21 195 694	23 837 412	22 399 847	21 195 694
Total	**104 591 798**	**72 554 765**	**49 629 339**	**113 249 023**	**80 804 597**	**49 691 466**

4. Deposits

A security deposit of R 339 518 (2015: R 260 564) is held by Eskom who is the bulk electricity supplier of the municipality.

5. Receivables from exchange transactions

	2016	2015
Electricity	4 524 109	2 876 804
Refuse	561 072	404 200
Operating lease receivables	-	255 654
Consumer debtors - other	4 314 185	2 681 005
	9 399 366	**6 217 663**

Receivables from exchange transactions pledged as security

None of the receivables were pledged as security.

Refer to note 7 for more detail on receivables from exchange transactions.

	2016	2015
	R	R

5. Receivables from exchange transactions (continued)

Credit quality of receivables

The credit quality of receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 30 days past due are not considered to be impaired. At 30 June 2016, no receivables from exchange transactions (2015: R nil) were past due but not impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each class mentioned above. The municipality does not hold any collateral as security.

6. Receivables from non-exchange transactions

	2016	2015
Fines	554 364	392 447
Government grant and subsidies	5 696 065	179 000
Rates	28 635 894	17 297 709
	34 886 323	**17 869 156**

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

Refer to note 7 for more detail on receivables from exchange transactions.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 30 days past due are not considered to be impaired. At 30 June 2016, R - (2015: R -) were past due but not impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each class mentioned above. The municipality does not hold any collateral as security.

	2016 R	2015 R

7. Receivables

	2016	2015
Gross balances		
Rates	42 029 184	30 085 540
Consumer receivables - Electricity	6 107 046	3 869 469
Consumer receivables - Refuse	1 750 934	1 225 304
Consumer recievables - Other	12 307 411	9 082 814
Fines	3 094 481	2 015 031
	65 289 056	**46 278 158**
Less: Allowance for impairment		
Rates	(13 393 290)	(12 787 831)
Consumer receivables - Electricity	(1 582 937)	(992 665)
Consumer receivables - Refuse	(1 189 863)	(821 104)
Consumer receivables - Other	(7 993 213)	(6 978 206)
Fines	(2 540 117)	(1 622 584)
	(26 699 420)	**(23 202 390)**
Net balance		
Rates	28 635 894	17 297 709
Consumer receivables - Electricity	4 524 109	3 869 469
Consumer receivables - Refuse	561 072	1 225 304
Consumer recievables - Other	4 314 197	9 082 814
Fines	554 364	392 447
	38 589 636	**31 867 743**
Rates		
Current (0 -30 days)	52 048	2 756 976
31 - 60 days	7 711 374	1 225 780
61 - 90 days	1 166 153	1 203 337
> 90 days	33 099 609	24 899 447
Less: Allowance for impairment	(13 393 290)	(12 787 831)
	28 635 894	**17 297 709**
Electricity		
Current (0 -30 days)	38 897	2 508 423
31 - 60 days	2 881 682	170 489
61 - 90 days	273 126	127 443
> 90 days	2 913 341	1 063 114
Less allowance	(1 582 937)	-
	4 524 109	**3 869 469**
Refuse		
Current (0 -30 days)	-	215 564
31 - 60 days	214 408	73 869
61 - 90 days	68 327	85 346
91 - 120 days	1 468 200	850 525
Less allowance	(1 189 863)	-
	561 072	**1 225 304**
Other		
Current (0 -30 days)	220 142	728 309
31 - 60 days	784 894	323 347
61 - 90 days	394 733	318 316
91 - 120 days	10 907 641	7 712 842
Less allowance	(7 993 213)	-

	2016 R	2015 R
7. Receivables (continued)		
	4 314 197	**9 082 814**

Summary of debtors by customer classification

	2016 R	2015 R
Consumers		
Current (0 -30 days)	2 535 210	2 283 810
31 - 60 days	520 061	524 115
61 - 90 days	437 588	511 290
91 - 120 days	10 943 021	11 677 665
	14 435 880	14 996 880
Less: Allowance for impairment	(9 709 955)	(7 391 961)
	4 725 925	**7 604 919**
Industrial/ commercial		
Current (0 -30 days)	7 291 862	3 818 589
31 - 60 days	1 148 991	1 245 396
61 - 90 days	973 007	1 212 629
91 - 120 days	26 940 498	22 507 818
	36 354 358	28 784 432
Less: Allowance for impairment	(14 449 348)	(14 187 845)
	21 905 010	**14 596 587**
National and provincial government		
Current (0 -30 days)	2 076 373	106 873
31 - 60 days	233 287	23 973
61 - 90 days	228 289	10 521
91 - 120 days	8 866 388	340 446
	11 404 337	**481 813**
Total		
Current (0 -30 days)	11 903 446	6 209 272
31 - 60 days	1 902 339	1 793 485
61 - 90 days	1 638 884	1 734 440
> 90 days	46 749 906	30 473 316
	62 194 575	40 210 513
Less: Allowance for impairment	(24 159 304)	(21 579 806)
	38 035 271	**18 630 707**
Reconciliation for allowance for impairment		
Balance at the beginning of the year	21 579 806	23 944 512
Contributions to allowance	2 579 498	(2 364 706)
	24 159 304	**21 579 806**
Reconciliation of allowance for impairment (fines)		
Balance at beginning of the year	1 622 584	579 953
Contributions to allowance	917 533	1 042 631
	2 540 117	**1 622 584**

8. VAT receivable

	2016 R	2015 R
VAT receivable	5 316 377	1 711 410

VAT is payable on the cash basis. All VAT returns were submitted throughtout the year.

	2016 R	2015 R

9. Inventories

	2016	2015
Consumables	791 885	798 751

10. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	57 562 700	-	57 562 700	51 773 000	-	51 773 000

Reconciliation of investment property - 2016

	Opening balance	Non cash additions	Fair value adjustments	Total
Land and buildings	51 773 000	885 000	4 904 700	57 562 700

Reconciliation of investment property - 2015

	Restated opening balance	Fair value adjustments	Total
Land and buildings	50 435 000	1 338 000	51 773 000

Pledged as security

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

There are no restrictions on the realisability of investment property or the remittance of the revenue and proceeds of disposal.

The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under under review.

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.

Details of valuation

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer, Mr Lourens Nel (professional valuator - 4464/2) (SACPVP) (SAIV), of Uniqueco Properties (Pty) Ltd. Uniqueco Properties (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuations were based on the land and improvement value methodology, referring to the costing approach i.e. the replacement value less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

11. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	33 126 335	(8 180 978)	24 945 357	33 126 335	(7 076 767)	26 049 568
Community	24 378 605	(2 622 020)	21 756 585	21 800 307	(2 280 806)	19 519 501
IT equipment	2 127 996	(1 761 924)	366 072	2 137 693	(1 310 241)	827 452
Infrastructure	914 753 241	(216 339 513)	698 413 728	883 070 168	(187 143 060)	695 927 108
Land	3 675 719	-	3 675 719	3 660 719	-	3 660 719
Motor vehicles	6 636 560	(4 647 685)	1 988 875	6 368 397	(3 770 628)	2 597 769
Office equipment	6 663 150	(5 314 932)	1 348 218	8 259 960	(6 478 763)	1 781 197
Leased assets	8 112 668	(3 367 747)	4 744 921	8 112 668	(2 192 214)	5 920 454
Landfill site	4 762 488	(4 762 488)	-	7 514 786	(3 081 417)	4 433 369
Work in progress	31 719 088	-	31 719 088	15 722 238	-	15 722 238
Plant and machinery	31 811 719	(17 508 085)	14 303 634	35 130 378	(18 352 068)	16 778 310
Total	**1 067 767 569**	**(264 505 372)**	**803 262 197**	**1 024 903 649**	**(231 685 964)**	**793 217 685**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Non-cash additions	Disposals	Transfers	Change in estimate for rehabilitation provision	Depreciation	Impairment loss	Total
Buildings	26 049 568	-	-	-	-	-	(1 104 211)	-	24 945 357
Community	19 519 501	-	-	(550 038)	3 617 777	-	(830 655)	-	21 756 585
IT equipment	827 452	-	-	-	-	-	(461 380)	-	366 072
Infrastructure	695 927 108	-	-	(7 715 107)	44 152 521	-	(33 950 794)	-	698 413 728
Land	3 660 719	-	15 000	-	-	-	-	-	3 675 719
Motor vehicles	2 597 769	268 163	-	-	-	-	(877 057)	-	1 988 875
Office equipment	1 781 197	18 875	-	(29 863)	-	-	(421 991)	-	1 348 218
Leased assets	5 920 454	-	-	-	-	-	(1 175 533)	-	4 744 921
Landfill site	4 433 369	-	-	-	-	(2 752 297)	(156 369)	(1 524 703)	-
Work in progress	15 722 238	63 767 148	-	-	(47 770 298)	-	-	-	31 719 088
Plant and machinery	16 778 310	925 995	-	(979 598)	-	-	(2 421 073)	-	14 303 634
	793 217 685	**64 980 181**	**15 000**	**(9 274 606)**	**-**	**(2 752 297)**	**(41 399 063)**	**(1 524 703)**	**803 262 197**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	27 153 779	-	-	-	(1 104 211)	26 049 568
Community	17 766 901	-	-	2 548 085	(795 485)	19 519 501
IT equipment	1 073 011	122 210	-	-	(367 769)	827 452
Infrastructure	696 009 401	-	(1 305 664)	33 523 591	(32 300 220)	695 927 108
Land	3 660 719	-	-	-	-	3 660 719
Motor vehicles	3 463 422	-	-	-	(865 653)	2 597 769
Office equipment	2 418 646	54 974	-	-	(692 423)	1 781 197
Leased assets	7 095 988	-	-	-	(1 175 534)	5 920 454
Landfill site	3 980 184	680 979	-	-	(227 794)	4 433 369
Work in Progress	11 986 699	39 807 216	-	(36 071 677)	-	15 722 238
Plant and machinery	14 476 349	5 559 048	-	-	(3 257 087)	16 778 310
	789 085 099	**46 224 427**	**(1 305 664)**	**(1)**	**(40 786 176)**	**793 217 685**

	2016 R	2015 R

11. Property, plant and equipment (continued)

Pledged as security

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

Assets subject to finance lease (net carrying amount)

Vehicles and heavy machinery	4 744 921	5 920 454

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.

	2016	2015
	R	R

12. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	33 000	-	33 000	33 000	-	33 000
Artefacts	500	-	500	500	-	500
Mayoral chains	48 147	-	48 147	42 994	-	42 994
Total	**81 647**	**-**	**81 647**	**76 494**	**-**	**76 494**

Reconciliation of heritage assets 2016

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	33 000	-	33 000
Artefacts	500	-	500
Mayoral chains	42 994	5 153	48 147
	76 494	**5 153**	**81 647**

Reconciliation of heritage assets 2015

	Opening balance	Total
Sculptures	33 000	33 000
Artefacts	500	500
Mayoral chains	42 994	42 994
	76 494	**76 494**

Pledged as security

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

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following basis:

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2016. The key values for gold was utilised per gram of gold at the spot rate of R13.62/dollar. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2016. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

	2016 R	2015 R

13. Payables from exchange transactions

Trade payables	22 843 247	22 032 768
Accrued leave	5 733 293	5 129 593
Accrued 13th cheque	1 415 100	1 190 377
Retentions	8 528 335	5 271 627
Credit balances on receivables	2 923 503	2 043 265
Other creditors	153 963	104 024
	41 597 441	**35 771 654**

14. Consumer deposits

Rates	1 529 723	1 568 314

15. Finance lease obligation

Minimum lease payments due		
- within one year	1 814 907	1 775 951
- in second to fifth year inclusive	2 200 548	3 929 244
	4 015 455	5 705 195
less: future finance charges	(407 114)	(690 035)
Present value of minimum lease payments	**3 608 341**	**5 015 160**

Present value of minimum lease payments due		
- within one year	1 537 792	1 425 253
- in second to fifth year inclusive	2 070 549	3 589 907
	3 608 341	**5 015 160**

Non-current liabilities	2 070 549	3 589 907
Current liabilities	1 537 792	1 425 253
	3 608 341	**5 015 160**

It is municipality policy to lease certain vehicles and heavy machinery under finance leases.

The average lease term was 4 - 5 years and the average effective borrowing rate was 9% (2015: 8%).

Interest rates are are linked to prime at the contract date. All leases have fixed repayments and no arragements have been entered into for contigent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	9 108 011	4 707 597
Energy Efficiency and Demand Side Grant	-	3 606 541
Municipal System Improvement Grant	255 880	1 218 620
Financial Management Grant	-	77 125
Expanded Public Work Programme Grant	-	17 115
	9 363 891	**9 626 998**

	2016 R	2015 R

16. Unspent conditional grants and receipts (continued)

Movement during the year

	2016 R	2015 R
Balance at the beginning of the year	9 626 997	13 032 645
Additions during the year	168 007 066	121 497 300
Income recognition during the year	(168 270 172)	(124 902 947)
	9 363 891	**9 626 998**

See note 25 for reconciliation of grants from National/Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in estimated closure cost and discount rate	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	9 472 078	-	(3 935 534)	519 328	6 055 872
Legal proceedings	-	805 709	-	-	805 709
	9 472 078	**805 709**	**(3 935 534)**	**519 328**	**6 861 581**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	8 608 823	680 979	182 276	9 472 078

	2016 R	2015 R
Non-current liabilities	6 055 872	9 472 078
Current liabilities	805 709	-
	6 861 581	**9 472 078**

Legal proceedings

Dispute with Walterama Kgatla Inc. The municipality is has engaged with the attorneys of the plaintiff to settle the dispute out of court. The proposed settlement amount is R220 000. The negotiations are currently still in progress.

Dispute with Kwanha's Business Enterprise. The municipality has settled the matter on 26 July 2016, however the settlement amount has not yet been agreed upon. An amount of R 585 709 has been provided for at present. The matter is not yet finalised regarding the disputed amount.

	2016 R	2015 R

17. Provisions (continued)

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decomissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

Major uncertainities surround the final decommisioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site.

The 2016 valuation was performed by Mr DB Grobler and Mr M Koch from EMS Advisory (Pty) Ltd, both directors in EMS Advisory (Pty) Ltd. Mr DB Grobler is a registered professional associated valuer & appraiser with the South African Council for the Property Valuers Profession. Mr M Koch is an associated member with The South African Institution of Civil Engineering and a registered candidate engineer with the Engineering Council of South Africa. He holds a Bachelors degree in Engineering.

The effective date of the latest valuation is 30 June 2016. The site, in terms of current legislation are operating legally as a permit does exist. The site is classified as a G:M:B- site. The closure design will be based on “M” – medium sites, with no significant climate water balance (B-). The remaining site life is approximately 11 years. The area to be capped is based on the expected area that waste has been deposited, as well as to allow for storm water drainage of away from the site. An escalation of 6% has been included in the cost and as time value of money is material the present value of estimated future cost was discounted at a rate of 9.38% (Weighted average cost of capital after adjustments for risks)

The 2015 valuation was performed by Mr Seakle Godschalk Pr Sci Nat and Dr Maryana Mohr - Swart, both partners in Environmental & Sustainability Solutions (ESS).

18. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

	2016	2015
Carrying value		
Present value of the defined benefit obligation - Post medical aid benefit	(17 412 477)	(13 174 000)
Present value of the defined benefit obligation - Long service award	(2 950 397)	(4 177 000)
	(20 362 874)	**(17 351 000)**

Changes in the present value of the defined benefit obligation (medical aid benefit) are as follows:

	2016	2015
Opening balance	13 174 000	11 395 997
Benefits paid	(312 446)	-
Net expense recognised in the statement of financial performance	4 550 923	1 778 003
	17 412 477	**13 174 000**

	2016 R	2015 R

18. Employee benefit obligations (continued)

Net expense of the defined benefit obligation (medical aid benefit) recognised in the statement of financial performance

Current service cost	657 000	543 000
Interest cost	1 217 000	1 235 000
Actuarial (gains) losses	2 676 923	3
	4 550 923	**1 778 003**

Changes in the present value of the long service award obligation are as follows:

Opening balance	4 177 000	4 559 000
Benefit paid	-	(174 470)
Net expense recognised in the statement of financial performance	(1 226 603)	(207 530)
	2 950 397	**4 177 000**

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

Current service cost	300 000	334 000
Interest cost	317 000	368 000
Actuarial (gains) losses	(1 390 308)	(909 530)
Contributions by employer	(453 295)	-
	(1 226 603)	**(207 530)**

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Post retirement medical aid	8.52 %	9.35 %
Salary increase rate	7.18 %	7.06 %

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2 206 000	1 551 000

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation (medical aid benefit)	17 412 477	13 174 000	13 683 000	10 780 000	7 409 162
Long service awards obligation	2 950 397	4 177 000	4 559 000	2 129 118	1 895 118

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2016 R	2015 R

19. Revenue

Service charges	49 000 161	40 764 929
Rental income	126 558	123 685
Licences and permits	3 994 013	3 913 628
Other income	3 382 271	15 012 902
Interest received	8 179 005	4 979 205
Property rates	29 797 752	25 771 580
Government grants and subsidies	168 270 172	126 296 106
Fines and penalties	1 553 784	1 868 179
	264 303 716	**218 730 214**

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

Service charges	49 000 161	40 764 929
Rental income	126 558	123 685
Licences and permits	3 994 013	3 913 628
Other income	3 382 271	15 012 902
Interest received	8 179 005	4 979 205
	64 682 008	**64 794 349**

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

Taxation revenue		
Property rates	29 797 752	25 771 580
Transfer revenue		
Government grants and subsidies	168 270 172	126 296 106
Fines, penalties and forfeits	1 553 784	1 868 179
	199 621 708	**153 935 865**

20. Service charges

Sale of electricity	45 784 500	37 384 302
Refuse removal	3 215 661	3 380 627
	49 000 161	**40 764 929**

21. Other income

Connection fees	-	303
Departmental fees	1 373 995	1 664 828
Debt forgiveness: Sekhukhune	-	12 564 383
Environmental rehabilitation adjustment	1 183 236	-
Sundry income	109 268	103 814
Claims for skills development	137 905	69 551
Sundry income	238 222	200 673
Sales of tender documents	339 645	409 350
	3 382 271	**15 012 902**

22. Rental of facilities and equipment

Premises		
Premises	76 944	73 581

	2016 R	2015 R

22. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	41 890	40 135
Rental of equipment	7 724	8 752
Other	-	1 217
	49 614	**50 104**
	126 558	**123 685**

23. Interest received

Interest revenue		
Interest charged on Eskom deposits	13 739	12 349
Interest on cash and cash equivalents	4 676 603	2 451 977
Interest on outstanding receivable balances	3 488 663	2 514 879
	8 179 005	**4 979 205**

24. Property rates

Rates received

Residential	7 688 048	8 042 159
Commercial	8 917 981	7 644 544
State	1 871 940	87 649
Small holdings and farms	11 140 780	9 977 062
Other	179 003	20 166
	29 797 752	**25 771 580**

Valuations

Agricultural	1 988 564 160	2 090 034 513
Business and commercial	432 782 200	434 913 600
Educational	41 870 000	42 110 000
Municipal	25 667 000	26 617 000
Public Benefit Organisations	1 050 000	1 050 000
Public Service Infrastructure	774 230	775 230
Religious	28 079 000	28 079 000
Residential	992 273 100	997 012 700
State owned	1 536 000	1 536 000
Vacant	1 332 000	1 032 000
	3 513 927 690	**3 623 160 043**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on month to month basis.

25. Government grants and subsidies

Operating grants		
Equitable Share	118 455 155	91 614 000
Financial Management Grant	1 675 000	1 635 885
Expanded Public Works Programme Grant	1 157 000	1 279 000
	121 287 155	**94 528 885**

Capital grants

	2016 R	2015 R

25. Government grants and subsidies (continued)

Municipal Infrastructure Grant	46 308 894	31 583 815
Municipal System Improvement Program Grant	674 123	183 406
	46 983 017	**31 767 221**
	168 270 172	**126 296 106**

Conditional and Unconditional

Included in above are the following grants and subsidies:

Conditional grants received	56 167 000	34 861 106
Unconditional grants received	112 103 172	91 435 000
	168 270 172	**126 296 106**

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 707 597	5 221 412
Current-year receipts	52 405 000	31 070 000
Conditions met - transferred to revenue	(46 308 894)	(31 583 815)
Witheld funds	(7 000 000)	-
Amount over-deducted by National Treasury	5 304 308	-
	9 108 011	**4 707 597**

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.
Conditions still to be met relate to following projects:
-Dicheoug internal street
-Elandskraal internal street
-Moganyaka internal street - phase 3
-Upgrading of Matilu road
-Upgrading of Puleng road

Munipal System Improvement Programme Grant

Balance unspent at beginning of year	1 218 620	468 026
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(674 123)	(183 406)
Withheld	(1 218 617)	-
	255 880	**1 218 620**

Conditions still to be met - remain liabilities (see note 16).

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

	2016 R	2015 R

25. Government grants and subsidies (continued)

Financial Management Grant

	2016	2015
Balance unspent at beginning of year	77 125	113 011
Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 635 886)
Withheld funds	(289 882)	-
Amount over-deducted by National Treasury	212 757	-
	-	**77 125**

Conditions still to be met - remain liabilities (see note 16).

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Energy Efficient and Demand Side Grant

	2016	2015
Balance unspent at beginning of year	3 606 541	3 606 541
Witheld funds	(3 606 541)	-
	-	**3 606 541**

Conditions still to be met - remain liabilities (see note 16).

The grant is intended to fund energy efficient lighting technologies in municipal buildings, streets and traffic lighting infrastructure.

Expanded Public Works Programme Grant

	2016	2015
Balance unspent at beginning of year	17 115	17 115
Current-year receipts	1 157 000	1 279 000
Conditions met - transferred to revenue	(1 157 000)	(1 279 000)
Witheld funds	(17 115)	-
	-	**17 115**

Conditions still to be met - remain liabilities (see note 16).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Equitable Share

	2016	2015
Current-year receipts	106 323 000	-
Transferred to revenue	(118 455 156)	-
Other grants funds withheld	12 132 156	-
	-	**-**

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

26. Employee related costs

	2016 R	2015 R
Basic	38 842 995	34 510 593
13th Cheque	3 785 694	3 677 901
Medical aid - company contributions	1 884 154	1 994 205
Unemployment insurance fund contribution	307 285	279 705
Other payroll levies	19 104	17 018
Group life insurance	101 359	85 553
Standby allowance	192 349	340 707
Short term benefit	436 329	487 259
Other short term costs	12 000	12 000
Defined contribution plans	6 973 754	6 378 457
Travel, motor car, accommodation, subsistence and other allowances	4 166 214	6 084 368
Overtime payments	1 249 662	1 389 132
Service cost - long service awards	957 000	334 000
SETA levies	448 881	462 814
	59 376 780	**56 053 712**

Remuneration of Municipal Manager : Mathebela MM

	2016 R	2015 R
Annual remuneration	584 439	141 674
Travel and subsistence allowance	101 326	37 377
Other allowance	14 976	15 751
Contributions to UIF, medical and pension funds	128 266	18 219
Travel claims	44 233	-
Backpay	208 376	-
SALGA	87	-
Annual bonus	35 426	-
	1 117 129	**213 021**

Remuneration of Chief Finance Officer : Ramosibi KA

	2016 R	2015 R
Annual remuneration	600 826	580 464
Travel and subsistence allowance	7 896	14 205
Other allowance	14 976	52 220
Backpay	147 085	10 988
Contributions to UIF, medical aid and pension funds	114 947	71 719
Travel claims	43 968	-
SALGA	87	-
	929 785	**729 596**

Remuneration of Director Corporate Services: Lekola MJ

	2016 R	2015 R
Annual remuneration	433 845	574 221
Travel and subsistence allowance	1 304	11 890
Other allowance	11 232	56 898
Backpay	26 396	8 388
Contributions to UIF, medical aid and pension funds	99 574	87 656
Annual bonus	35 426	33 739
Travel claims	12 899	-
Leave pay-out	65 589	-
Acting allowance	5 497	-
SALGA	65	-
	691 827	**772 792**

26. Employee related costs (continued)

Remuneration of Director Technical Services: Monakedi ME

	2016 R	2015 R
Annual remuneration	683 204	672 517
Travel and subsistence allowance	123 706	161 923
Other allowance	14 976	53 106
Backpay	37 696	13 865
Contributions to UIF, medical aid and pension funds	108 675	71 719
Annual bonus	35 426	33 739
Travel claims	33 662	-
SALGA	87	-
	1 037 432	**1 006 869**

Remuneration of Acting Municipal Manager: NS Mashamba

	2016 R	2015 R
Annual remuneration	-	29 807
Travel allowance	-	16 703
Other allowances	-	15 792
Back pay	-	66 815
	-	**129 117**

Remuneration of Director of Community Services: MM Mathebela

	2016 R	2015 R
Annual remuneration	-	216 323
Car allowance	-	43 968
Other allowances	-	20 804
Contributions to UIF, medical and pension funds	-	36 438
	-	**317 533**

Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

27. Remuneration of councillors

	2016 R	2015 R
Executive Mayor	784 346	744 660
Chief Whip	605 406	589 990
Executive Councillors	2 574 559	2 427 530
Speaker	685 178	636 994
Councillors	5 983 724	5 944 281
	10 633 213	**10 343 455**

In-kind benefits

Remuneration of Councillors:
The remuneration of the political office bearers and councillors are not within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 42 for the detailed breakdown of councillors' remuneration.

28. Depreciation

	2016 R	2015 R
Property, plant and equipment	41 399 062	40 786 176

	2016 R	2015 R

29. Finance costs

Finance leases	375 511	256 803
Landfill site	519 328	182 276
Post-retirement medical aid benefit	1 217 000	1 235 000
Long service awards	317 000	368 000
	2 428 839	**2 042 079**

30. Debt impairment

Contributions to debt impairment provision	3 497 031	579 633

31. Repairs and maintenance

Category		
Building	1 352 371	728 178
Community	996 473	884 486
Infrastructure	3 682 010	2 427 780
Motor vehicles	1 848 180	3 886 828
	7 879 034	**7 927 272**

32. Bulk purchases

Electricity	27 803 116	22 025 056

Electricity losses:
For the 2015/2016 financial year, distribution losses on electricity amounted to 10%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

For the 2014/2015 financial year, distribution losses on electricity amounted to 7%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

33. Contracted services

Information Technology Services	2 266 796	3 715 855
Specialist Services	2 413 540	1 634 827
	4 680 336	**5 350 682**

34. Grants and subsidies paid

Other subsidies		
Staff bursaries	85 588	190 793
Free and subsidised services	1 092 209	679 440
Community bursaries	758 963	690 087
	1 936 760	**1 560 320**

35. General expenses

	2016 R	2015 R
Audit committee expenses and catering	748 471	799 726
Auditors remuneration	3 642 907	2 053 011
Bank charges	263 153	259 378
CONLOG services	172 117	95 986
Cleaning	139 249	118 124
Community development	631 251	250 627
Conferences and seminars	491 004	402 886
Consulting and professional fees	3 362 363	3 112 768
Consumables	313 258	257 853
Consumer connections	111 337	108 547
Electricity	2 039 054	2 927 465
Entertainment	185 066	132 989
Fencing of cementry	57 871	-
Fuel	1 888 359	29 398
Insurance	735 699	746 729
Job evaluation services	1 027	38 355
Marketing	3 325 264	2 859 996
Mayoral expense	81 053	99 651
Medical expenses	-	543 000
Motor vehicle expenses	431 377	1 561 226
Operating leases	1 668 993	1 435 775
Postage and courier	238 224	128 510
Printing and stationery	587 326	518 593
Promotions	-	49 526
Protective clothing	271 197	138 890
Refuse	197 854	222 456
Security (Guarding of municipal property)	3 139 640	4 337 942
Services: Adverts	378 196	409 198
Sewerage consumer account	105 637	-
Staff welfare	238 952	19 160
Strategic planning	13 717	132 907
Subscriptions and membership fees	229 766	1 044 051
Telephone and fax	1 306 315	834 384
Training	973 102	1 162 920
Transport and freight	24 200	-
Travel - local	1 085 531	-
Valuation roll and GIS	611 780	348 364
Water	216 566	-
	29 906 876	**27 180 391**

36. Fair value adjustments

	2016 R	2015 R
Investment property (Fair value model)	5 804 700	1 338 000

37. Auditors' remuneration

	2016 R	2015 R
Fees	3 642 907	2 053 011

	2016 R	2015 R

38. Cash generated from operations

Surplus	67 635 916	48 110 304
Adjustments for:		
Depreciation	41 399 062	40 786 176
Loss on sale of assets and liabilities	9 274 607	1 305 664
Fair value adjustments	(5 804 700)	(1 338 000)
Finance costs - Finance leases	2 053 328	1 785 276
Impairment loss	1 524 703	-
Debt impairment	3 497 031	(1 322 075)
Movements in retirement benefit assets and liabilities	1 477 874	(2 494 000)
Movements in provisions	805 709	-
Rehabilitation provision adjustment	(1 183 236)	680 979
Other non-cash items	-	(12 564 383)
Changes in working capital:		
Inventories	6 866	(109 515)
Receivables from exchange transactions	(5 165 742)	1 657 909
Receivables from non-exchange transactions	(18 530 159)	(9 077 845)
Deposits	(78 954)	(159 638)
Payables from exchange transactions	5 825 787	8 468 856
VAT receivable	(3 604 967)	3 000 790
Unspent conditional grants and receipts	(263 107)	200 894
Consumer deposits	(38 591)	(52 037)
	98 831 427	**78 879 355**

39. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	9 399 366	9 399 366
Receivables from non-exchange transactions	34 886 323	34 886 323
Cash and cash equivalents	113 249 023	113 249 023
Deposits	339 518	339 518
	157 874 230	**157 874 230**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	3 608 341	3 608 341
Payables from exchange transactions	41 597 441	41 597 441
Consumer deposits	1 529 723	1 529 723
Unspent conditional grants and receipts	9 363 891	9 363 891
	56 099 396	**56 099 396**

2015

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	6 217 663	6 217 663
Receivables from non-exchange transactions	17 869 156	17 869 156
Cash and cash equivalents	80 804 597	80 804 597

	2016 R	2015 R

. **Financial instruments disclosure (continued)**

	104 891 416	**104 891 416**

Financial liabilities

	At amortised cost	Total
Consumer deposits	1 568 314	1 568 314
Finance lease obligation	5 015 160	5 015 160
Payables from exchange transactions	35 771 654	35 771 654
Unspent conditional grants and receipts	9 626 998	9 626 998
	51 982 126	**51 982 126**

40. Commitments

Authorised capital expenditure

	2016 R	2015 R
Already contracted for but not provided for		
• Property, plant and equipment	16 667 514	24 318 667
Total capital commitments		
Already contracted for but not provided for	16 667 514	24 318 667

Authorised operational expenditure

	2016 R	2015 R
Already contracted for but not provided for		
• Leasing of machines	-	1 525 686
• Security	2 944 350	5 960 448
• Consulting and training	2 145 701	2 030 000
	5 090 051	**9 516 134**
Total operational commitments		
Already contracted for but not provided for	5 090 051	9 516 134

Total commitments

	2016 R	2015 R
Total commitments		
Authorised capital expenditure	16 667 514	24 318 667
Authorised operational expenditure	5 090 051	9 516 134
	21 757 565	**33 834 801**

Operating leases - as lessee (expense)

	2016 R	2015 R
Minimum lease payments due		
- within one year	155 023	202 697
- in second to fifth year inclusive	-	155 023
	155 023	**357 720**

Operating lease payments represent rentals payable by the municipality for office properties used by the municipality. Leases are negotiated for an average term of 4 years. No contingent rent is payable.

	2016	2015
	R	R

41. Contingencies

Mohlalerwa & Boledi Construction
The municipality awarded the Plaintiff a tender for the rehabilitation of an admin block. The plaintiff submitted an invoice which the municipality refused to settle on the basis that the contractor has already been paid for the work done.

The amount of potential liability is R 1 605 515.

Ephraim Chiloane
The municipality made an offer to transfer Erf 41 Leeuwfontein to the Plaintiff.

Council resolved not to effect the transfer because the said property belongs to someone else (Rathlagane Tribe) and not the municipality and that the municipal manager does not have power to dispose of immovable property belonging to the council. The Plaintiff approached the court for an order compelling the municipality to effect the transfer.

Lesiba Makopo
The Applicant was appointed by the municipality as the Director: Community on a fixed term contract which came to an end on the 31 March 2014. The post was advertised and he applied, went through the interview process but was not appointed. He then approached the Labour Court for an order setting aside the recommendations of the interview panel and to re-start the whole process of interview.

Phillip Mphahlele
The Applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.
The Hawks did not proceed with criminal case.
The Applicant alleges that the municipality coerced him to resign and that his character has been defamed as a result of the allegations which have been investigated by the Hawks.

The amount of potential liability is R 2 105 500.

Phillistus Sonto Matau
The Applicant was granted a travel allowance and was paid R 9 500. She then changed the car which affected her monthly transport allowance to R 6 000. She then declared a dispute of Unfair Labour Practice. On 17 July 2015 the Commissioner of SALGBC issued an arbitration award and ordered the municipality to re-instate the Applicant’s travel allowance.

The municipality decided to review the arbitration.

Abel Sonto Ngaka
The Plaintiff is an employee of the municipality and he did not report for duty and did not furnish the municipality with a medical certificate. The municipality then implemented a no work-no pay principle.

The employee then went to court and demanded the salary, estimated liability is R 10 000.

Lethlo Projects
The Plaintiff was instructed by the municipality to render services for the completion of a contract which was initially awarded to another service provider and terminated by the municipality for the rehabilitation of administration block.

The amount of potential liability is R 743 645.

	2016 R	2015 R

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report
Key management	Refer to note 26
Executive Mayor	Refer to details below
Speaker	Refer to details below
Chief Whip	Refer to details below
Mayoral Committee	Refer to details below

42. Related parties (continued)

Remuneration of management

Remuneration of Councillors

2016

	Annual remuneration	Travel allowance	Other allowance	Backpay	Pension	UIF	Travel and subsistence claims	SDL	Public office allowance	Total
Executive Mayor:	-	-	-	-	-	-	-	-	-	-
MMakola MY	348 538	183 740	20 868	20 458	85 276	5 466	-	-	120 000	784 346
Chief Whip:	-	-	-	-	-	-	-	-	-	-
Ratau MF	348 538	-	20 868	17 289	82 683	-	12 019	4 009	120 000	605 406
Speaker:	-	-	-	-	-	-	-	-	-	-
Modisha LB	254 830	146 992	20 868	18 442	66 146	-	53 605	4 294	120 000	685 177
Executive Councillors:	-	-	-	-	-	-	-	-	-	-
Mahlobogoane ST	231 404	137 805	20 868	17 289	62 012	-	44 916	4 002	120 000	638 296
Makitla TS	138 223	-	20 868	10 377	45 569	-	1 511	2 057	120 000	338 605
Matlala MF	231 403	137 805	20 868	17 289	62 012	-	1 533	4 002	120 000	594 912
Monyamane EM	55 883	33 680	5 217	-	15 156	-	9 177	966	30 000	150 079
Phefadi MG	73 667	75 948	20 868	10 377	34 176	-	-	2 037	120 000	337 073
Seoka KM	149 338	99 635	20 868	43 586	47 530	-	31 482	3 155	120 000	515 594
Councillors:	-	-	-	-	-	-	-	-	-	-
Bogopa JH	30 237	44 187	20 868	7 544	26 512	-	2 513	1 380	120 000	253 241
Bokaba HSM	30 237	44 187	20 868	7 544	26 512	-	-	1 380	120 000	250 728
Chauke S	30 237	44 187	20 868	7 544	26 512	-	-	1 380	120 000	250 728
Esson BA	41 157	-	13 377	7 544	21 717	-	-	906	76 922	161 623
Kekana KN	30 237	44 187	20 868	7 544	26 512	-	9 052	1 380	120 000	259 780
Kekana MJ	46 464	-	15 116	3 979	25 057	-	-	1 003	90 000	181 619
Mabaso WM	30 237	44 187	20 868	6 639	27 418	-	4 855	-	120 000	254 204
Makanyane GN	30 237	44 187	20 868	7 544	26 512	-	3 212	1 380	120 000	253 940
Mamogobo SC	30 237	44 187	20 868	7 544	26 512	-	16 169	1 380	120 000	266 897
Mashego BG	30 237	44 187	20 868	7 544	26 512	-	15 650	1 380	120 000	266 378
Mokonyane MJ	67 797	-	20 868	7 544	33 141	-	-	1 399	120 000	250 749
Molotshwa FK	67 797	-	20 868	7 544	33 141	-	-	1 431	120 000	250 781
Morwaswi ME	30 237	44 187	20 868	7 544	26 512	-	3 002	1 380	120 000	253 730
Mothwa NM	67 797	-	20 868	7 544	33 141	-	-	1 480	120 000	250 830
Mphahlele LJ	30 237	44 187	20 868	7 544	26 512	-	2 022	1 380	120 000	252 750

42. Related parties (continued)

Nchabeleng MJ	30 237	44 187	20 868	7 544	26 512	-	4 918	1 380	120 000	255 646
Ndobeni NR	30 237	44 187	20 868	7 544	26 512	-	6 034	1 380	120 000	256 762
Phala MG	30 237	44 187	20 868	7 544	26 512	-	10 147	1 380	120 000	260 875
Phatlane NF	41 196	-	13 377	2 901	22 363	-	2 754	881	80 000	163 472
Ranoto P	30 237	44 187	20 868	7 544	26 512	-	3 602	1 380	120 000	254 330
Sehlola ET	30 237	44 187	20 868	7 544	26 512	-	28 279	1 380	120 000	279 007
Seono MR	30 237	44 187	20 868	7 544	26 512	-	20 655	1 380	120 000	271 383
Tshiguvho EM	30 237	44 187	20 868	7 544	26 512	-	6 170	1 380	120 000	256 898
Lentsoane M	20 088	-	5 237	1 853	9 886	-	-	394	34 615	72 073

2015

Name	Annual remuneration	Travel allowance	Other allowances	Backpay	Pension	Total
Executive Mayor:	-	-	-	-	-	-
MMakola MY	438 596	171 998	28 865	24 370	80 831	744 660
Chief Whip:	-	-	-	-	-	-
Ratua MF	438 596	26 390	27 428	16 745	80 831	589 990
Speaker:	-	-	-	-	-	-
Modisha LB	350 877	180 031	27 678	13 743	64 665	636 994
Executive Councillors:	-	-	-	-	-	-
Mahlobogoane ST	400 966	86 312	27 387	12 148	74 095	600 908
Makitla TS	241 228	6 076	25 486	7 994	44 457	325 241
Matlala MF	328 947	145 987	27 399	12 911	60 623	575 867
Monyamane EM	328 947	166 072	27 443	17 602	69 623	609 687
Phefadi MG	180 921	76 574	25 523	8 466	33 343	324 827
Councillors:	-	-	-	-	-	-
Bogopa JH	140 351	46 557	24 882	5 352	25 866	243 008
Bokaba HS	140 351	41 280	24 882	5 352	25 866	237 731
Chauke S	140 351	41 280	24 877	5 352	25 871	237 731
Esson BA	175 438	-	24 877	5 077	32 332	237 724
Kekana KN	140 351	67 550	24 991	10 565	25 866	269 323
Kekana MM	140 351	51 092	24 882	5 352	25 866	247 543
Mabaso WM	140 351	54 343	23 925	10 044	25 866	254 529
Makanyane GN	140 351	41 280	24 882	5 352	25 866	237 731
Mamogobo SC	140 351	55 513	24 882	5 352	16 861	242 959

42. Related parties (continued)

Mampane NZ	43 211	-	6 428	-	7 626	57 265
Mashego BG	140 351	60 384	25 932	5 352	25 866	257 885
Mokonjane MJ	175 438	-	24 877	5 077	32 332	237 724
Molotshwa FK	175 438	-	24 919	5 077	32 332	237 766
Morwaswi ME	140 351	46 542	24 882	5 352	25 866	242 993
Mothwa NW	131 490	-	18 511	3 385	24 249	177 635
Mphahlele LJ	140 351	46 971	24 926	10 044	25 866	248 158
Nchabeleng MJ	140 351	48 104	24 882	5 352	25 866	244 555
Ndobeni NR	140 351	55 321	24 882	5 352	25 867	251 773
Phala MG	140 351	67 842	24 882	5 352	25 866	264 293
Ranoto P	140 351	47 774	24 882	5 352	25 866	244 225
Sebothoma OE	140 351	43 550	24 882	5 352	25 866	240 001
Sehlola ET	140 351	60 450	24 882	5 352	25 866	256 901
Seoka KM	140 351	62 218	24 933	5 352	25 866	258 720
Seono MR	140 351	65 795	29 353	5 352	25 866	266 717
Tshiguvho EM	140 351	43 940	24 882	5 352	25 866	240 391
	6 217 113	**1 907 226**	**819 224**	**254 232**	**1 145 660**	**10 343 455**

The councillors were not paid within the upper limits as prescribed by the Remuneration of Public Office- bearers Act, 1998 (Act No. 20 of 1998).

Executive management

Refer to note 26, Employee related costs.

43. Prior period errors

The prior year has been amended to account for prior period errors.

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

Statement of financial performance **Revenue**	Balance as previously reported	Prior period error	Reclassified	Total
Service charges	40 764 929	-	-	40 764 929
Rental of facilities and equipment	123 685	-	-	123 685
Interest received	4 979 205	-	-	4 979 205
Fines	1 868 179	-	-	1 868 179
Licences and permits	3 913 628	-	-	3 913 628
Other income	15 012 901	-	-	15 012 901
Property rates	25 771 581	-	-	25 771 581
Government grants and subsidies	126 296 106	-	-	126 296 106
	218 730 214	**-**	**-**	**218 730 214**
Expenses				
Employee related cost	53 150 283	20 232	(42 667)	53 127 848
Remuneration of councillors	10 343 455	-	-	10 343 455
Depreciation	40 721 576	64 600	-	40 786 176
Loss on disposal of assets	1 305 664	-	-	1 305 664
Finance cost	2 042 079	-	-	2 042 079
Debt impairment	2 944 339	(2 364 706)	-	579 633
Repairs and maintenance	7 874 188	3 496	47 898	7 925 582
Bulk purchases	23 580 252	(1 555 196)	-	22 025 056
Contracted services	4 071 247	(69 931)	1 348 138	5 349 454
General expenses	31 253 065	227 977	(5 229 643)	26 251 399
Grants and subsidies paid	1 587 562	3 857 774	(27 242)	5 418 094
	178 873 710	**184 246**	**(3 903 516)**	**175 154 440**
Operating (deficit) / surplus	39 856 504	8 253 800	-	48 110 304
Fair value adjustments	4 039 200	(2 701 200)	-	1 338 000
Actuarial gain / (loss)	3 196 530	-	-	3 196 530
	47 092 234	**5 552 600**	**-**	**52 644 834**

Statement of financial position **Current assets**	Balance as previously reported	Prior period error	Reclassified	Total
Inventory	798 751	-	-	798 751
Receivables from exchange transactions	5 236 458	(1 801 446)	2 782 651	6 217 663
VAT receivable	2 043 013	(331 603)	-	1 711 410
Receivables from non-exchange transactions	16 230 001	1 639 155	-	17 869 156
Cash and cash equivalents	81 866 825	(1 062 228)	-	80 804 597
Deposits	260 564	-	-	260 564
	106 435 612	**(1 556 122)**	**2 782 651**	**107 662 141**
Non-current assets				
Investment property	118 087 200	-	(66 314 200)	51 773 000
Property, plant and equipment	793 054 824	162 862	-	793 217 686
Heritage assets	-	76 494	-	76 494
	911 142 024	**239 356**	**(66 314 200)**	**845 067 180**

43. Prior period errors (continued)

Current liabilities				
Finance lease liability	1 425 253	-	-	1 425 253
Payables from exchange transactions	36 263 128	(3 274 129)	2 782 651	35 771 650
Consumer deposits	1 568 314	-	-	1 568 314
Unspent conditional grants	9 626 998	-	-	9 626 998
Provisions	204 668	-	-	204 668
	49 088 361	**(3 274 129)**	**2 782 651**	**48 596 883**
Non-current liabilities				
Finance lease obligation			3 589 907	3 589 907
Employee benefit obligations			17 351 000	17 351 000
Provisions			9 267 410	9 267 410
			30 208 317	**30 208 317**
Net assets				
Accumulated surplus - opening balance	891 188 723	-	(65 374 911)	825 813 812
(Surplus) / deficit for the year	47 092 235	1 018 067	2	48 110 304
	938 280 958	**1 018 067**	**(65 374 909)**	**873 924 116**

1. Error 1

In the previous financial year an operating lease payable was raised incorrectly in the financial statement and erroneously mapped to debtors. The adjustment in the current year is to correct the balances as at 30 June 2015.

Statement of financial position		
Receivables from exchange transactions	-	255 654
Accumulated surplus	-	(176 057)
	-	**79 597**
Statement of financial performance		
General expenses	-	(79 597)

2. Error 2

During the year the reconciliation of the FNB bank account was reviewed and updated. A number of items were identified which needed to be captured in the trial balance, in order to correct the cash book balance at 30 June 2015.

Statement of financial position		
Cash and cash equivalents	-	(76 035)
Payables from exchange transactions	-	(1 732)
Accumulated surplus	-	(5 300)
	-	**(83 067)**
Statement of financial performance		
General Expenses	-	83 067

3. Error 3

During the prior year the impairment of consumer deposits was incorrectly calculated. The calculation did not take into account the time value of money. As such the calculation was reperformed and the impairment was corrected as the impact was significant.

43. Prior period errors (continued)

Statement of financial position		
Receivables from exchange transactions	-	725 552
Receivables from non-exchange transactions	-	1 639 155
	-	**2 364 707**

Statement of financial performance		
Debt impairment	-	(2 364 707)

4. Error 4

During the year the fixed asset register was reconstructed. During this exercise the municipality identified a number of previously unrecognised heritage assets. This correction is to recognise the heritage assets in the accounting records.

Statement of financial position		
Heritage Assets	-	76 494
Revaluation Reserve	-	(76 494)
	-	**-**

5. Error 5

During the year the entire creditors balance was investigated and restated. All subsequent payments were identified and any unpaid creditors identified.

Statement of financial position		
Cash and cash equivalents	-	2 764 746
VAT receivable	-	(331 603)
Payables from exchange transactions	-	(3 257 730)
Accumulated surplus	-	2 247 219
	-	**1 422 632**

Statement of financial performance		
Employee related cost	-	(42 667)
Repairs and maintenance	-	47 898
Bulk purchases	-	(1 555 196)
Contracted services	-	(69 931)
General expenses	-	224 506
Grants and subsidies paid	-	(27 242)
	-	**(1 422 632)**

6. Error 6

During the year the asset register was reconstructed. A Nissan Diesel vehicle was identified during the physical verification which had been purchased in the prior years but not recognised as an asset in the accounting records.

Statement of financial position		
Property plant and equipment	-	257 161
Accumulated surplus	-	(321 761)
	-	**(64 600)**

43. Prior period errors (continued)

Statement of financial performance		
Depreciation	-	64 600

7. Error 7

In order to align the fixed asset register values with the values per financial system the following correction was processed

Statement of financial position		
Investment property	-	12 000

Statement of financial performance		
Fair value adjustments	-	(12 000)

8. Error 8

During the reconstruction of the investment property register it was determined that Moganyaka properties and X6 properties had no future value and had to be impaired

Investment properties previously included all properties where the Municipality disclosed all properties registered in the deeds office in the name of the municipality as investment property if not used for service delivery. Upon review and through application of management judgement it was decided that these properties do not represent any future benefit to the municipality for service delivery. The municipality does not control these properties and does not issue clearance certificates or any other administrative processes and has no effective control over these assets or the registration.

This includes property held in township titles (Marblehall Extension 6, Moganyaka A, Zamenkomst, the former R 293 towns, and unfinalised townships). In terms of GRAP 9 no future cash flows can be expected. Once the process of demarcation and township establishment is complete all the additional properties will form part of GRAP 17 as land and will be treated accordingly on final full title registration.

Statement of financial position		
Investment property	-	(66 326 200)
Accumulated surplus	-	63 613 000
	-	**(2 713 200)**

Statement of financial performance		
Fair value adjustments	-	2 713 200

9. Error 9

During the reconstruction of the asset register 6 properties were identified which are inhabited by municipal officials and had been correctly accounted for as investment property. This correction represents the reversal of the duplication of the properties in property, plant and equipment.

Statement of financial position		
Property plant and equipment	-	(94 300)

Statement of financial performance		
	-	94 300

10. Error 10

During the reperformance of bank reconciliations an incorrect journal was identified which was processed through bank.

43. Prior period errors (continued)

Statement of financial position		
Cash and cash equivalents	-	(3 750 939)
Receivable from exchange transactions	-	(2 782 650)
Payables from exchange transactions	-	6 533 589
	-	-

11. Error 11

During the reconstruction of the property register it was determined that the Driefontein community hall was completed in June 2015. The cost of the community hall was in the prior year not transferred from work-in-progress to community assets. This error was corrected with the effect on property, plant and equipment being nil due the cost moving between two asset classes. The impact on the property, plant and equipment note can be summarised as follows:

Statement of financial position		
Community assets	-	2 548 085
Work-in-progress	-	(2 548 085)
	-	-

44. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: credit risk and liquidity risk.

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.

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.

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

45. Going concern

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

46. Events after the reporting date

On 11 August 2016, the Minister of Co-operative Governance and Traditional Affairs announced that municipal councillors who were not re-elected will each receive a monetary payment equal up to three months' salary for their services and contributions as soon as the new councillors are sworn in. Councillors who have five or more years of service will get an amount equal to three months' salary and the rest will receive a pro rata amount.

47. Unauthorised expenditure

Opening balance	102 916 228	97 000 713
Add: Unauthorised expenditure - current year	-	5 915 515
Amount condoned by council	(5 915 515)	-
	97 000 713	**102 916 228**

Section 125(2)(d)(i) of MFMA - states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.

The total unauthorised expenditure was referred to council for further investigation, a portion has been condoned. Management is still awaiting the investigation outcomes of the remaining unauthorised expenditure.

48. Fruitless and wasteful expenditure

Opening balance	674 878	312 053
Add: Fruitless and waseful expenditure - current year	14 704	362 825
	689 582	**674 878**

Section 125(2)(d)(i) of MFMA - states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.

The total fruitless and wasteful expenditure was referred to council for further investigation. Management is still awaiting the outcome of the investigation.

49. Irregular expenditure

Opening balance	93 527 420	66 662 053
Add: Irregular expenditure - current year	19 760 508	26 865 367
	113 287 928	**93 527 420**

Analysis of expenditure awaiting condonation per age classification

Current year	19 760 508	26 865 367
Prior years	93 527 420	66 662 053
	113 287 928	**93 527 420**

49. Irregular expenditure (continued)

Details of irregular expenditure – current year

Councillor remuneration	The councillors were not paid within the upper limits as prescribed by the Remuneration of Public Office- bearers Act, 1998 (Act No. 20 of 1998).	979 493
Manthabo2 Air-conditioning	Amount paid to supplier exceeded the contract value	27 196
Nganyes Trading Enterprise	Awards made to a person in service of the auditee	3 000
Elephant springs	The transaction was procured without following competitive bidding process	550 000
Forest Technology	The transaction was procured without following competitive bidding process	268 362
Vusasa Construction	Failure to comply with preferential procurement regulation	173 706
Takatso Ya batho Trading	Failure to comply with preferential procurement regulation	27 800
Royal Classic	Non-Compliance with SCM Regulation	9 166
Park Hotel Mokopane	The transaction was procured without following the quotation process	173 113
Kingdoms Lodge	The transaction was procured without following the quotation process	139 695
Mabonza Lodge	The transaction was procured without following the quotation process	113 460
Human Communications	The transaction was procured without following the quotation process	92 323
Profounder Intelligence Management	The transaction was procured without following the quotation process	25 078
Mabonza Lodge	The transaction was procured without following the quotation process	9 900
Enterprises at University of Pretoria	The transaction was procured without following the quotation process	7 900
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	256 367
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	383 149
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 074 571
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 205 203
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 250 539
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	351 393
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	816 796
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 237 564
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 417 430

49. Irregular expenditure (continued)

Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 795 207
EMC Consulting Engineers	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	673 806
EMC Consulting Engineers	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	698 291
		19 760 508

During the audit process additional irregular expenditure amounting R18 755 085 (2015:26 865 367) was identified, management are still to examine other similar items that did not form part of the samples tested by the auditors to determine whether or not there is additional irregular expenditure requiring disclosure. All these matters will also be investigated within the next 12 months.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	629 750	500 000
Amount paid - current year	(629 750)	(500 000)
	-	-

Audit fees

Current year fee	3 646 236	2 049 682
Amount paid - current year	(3 646 236)	(2 049 682)
	-	-

PAYE and UIF

Current year subscription / fee	10 186 293	6 319 425
Amount paid - current year	(10 186 293)	(6 319 425)
	-	-

Pension and medical aid deductions

Current year subscription / fee	12 395 695	4 253 414
Amount paid - current year	(12 395 695)	(4 253 414)
	-	-

VAT

VAT receivable	5 316 377	1 711 410

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

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2016.

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

Supply chain management regulations

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

Emergency		
Mpisi electrical network	6 270	32 118
Sole supplier or agent		
BB truck and tractor	-	2 637 121
IMFO	108 038	7 652
Komatsu	-	2 919 084
Trolley and bin	-	791 908
Government printing works	7 287	-
Workshop electronics	339 142	-
Institute of traffic and municipal police officers	3 000	-
SALGA	41 000	-
SAMSRA	6 000	-
SITA (GovTech)	16 200	-
Truvelo manufacturers	6 480	-
IMESA	6 250	-
Lexis Nexis	19 702	-
IRMSA	5 244	-
Torque IT	29 070	-
Government directory	41 034	-
CQS business intergrity	12 288	-
Sage VIP payroll	25 553	-
Institute of internal auditors	4 267	-
IMSSA	5 000	-
Bentley systems intelligence	3 562	-
SAPI	8 160	-
Impossible or impractical		
Bushfellows	-	13 494
Club news and printing trading as, The voice	-	8 200
Environment and sustainable solutions cc	-	55 205
Euphoria golf estate	-	114 582
Forever Resorts Warmbaths	-	24 220
Forsdyck workwear cc	-	86 993
Karibu leisure resorts	-	11 716
Protea hotels parktonian	-	9 775
Thaba moshate hotel and casino	-	2 720
The whitehouse guesthouse	-	40 845
Twain 2	-	102 917
Hilltop solutions	88 193	-
Royal classics	13 227	-
Human communications	92 323	-
Whoodoo media	20 171	-
Elephants springs hotel	550 000	-
Mangueng traffic training college	45 000	-
Enterprises at University of Pretoria	293 492	-
Great north transport	60 500	-
Profounder intelligence management	25 078	-
Park hotel Mokopane	173 113	-
Mabonza lodge	123 360	-
Forest technology	268 362	-
Le Mark training development	51 745	-
Funnamics (TBAE)	42 000	-
TSS transformers (Zest Weg)	28 491	-
Kingdoms lodge	139 695	-
	2 708 297	**6 858 550**

51. Impairment of assets

Impairments		
Property, plant and equipment	1 524 703	-
The impairment of the landfill site is due to the fact that the entity considered that there is an indication that the full carrying value of the asset is not recoverable.In terms of IGRAP2 if there is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss. The test was performed and the complete trading service and recoverable amount is applicable. The calculated impairment is disclosed as R1 524 703 for the 2016 financial year.		

52. Budget differences

Material differences between budget and actual amounts

1 Variance is as results of private uses, saving electricity.

2 Variance is as results of renovation of Town hall, during renovation the hall could not be hired.

3 Variance is as a results of over budgeting, Budget included Roads and transport amount instead of budgeting for agency service fees only.

4 Variance on other income is mainly caused by fees departmental vote as a results of over budgeting .

5 Variance is as a result of increase in a number of outstanding debtors.

6 Variance is as result of monthly reconciliation on property rates which lead to a favourable adjustment during the year.

7 Variance is manly as a results on unspent Municipal Infrastructure Grant and Municipal System Improvement Grant .

8 Variance is as a result of budgeting fines on cash basis whereas the actual figure is on accrual basis.

9 Variance is as result of savings from vacant positions. E.g. Director Planning.

10 The variance is as a results on passing on of some councillors .

11 Variance on depreciation is as a results of over estimates on budget.

12. More interest was paid than anticipated in the budget.

13 Debt Impartment variances arises as a results of budgeting it under general expenditure instead of a separate item.

14 Collection cost variance arises as a results of budgeting it under general expenditure instead of a separate item.

15 Dismissal of chief mechanic and fleet superior led to low spending on repairs and maintenance of vehicles.

16 Consumption level of client did not reach our target.

17 Variance is caused by incorrectly budgeting for separate line items inside general expenditure

18 Transfer and subsidies variances arises as a results of budgeting it under general expenditure instead of a separate item.

19 Variance is caused by incorrectly budgeting for separate line items inside general expenditure .

20. Contacted services variance arises as a results of budgeting it under general expenditure instead of a separate item

21. Variance in total assets is caused by under budgeting

22. Variance in total liability is caused by under budgeting

52. Budget differences (continued)

23 Variance in total net assets is caused by under budgeting

24 The overall variance in cash flow statement is as a results of overestimate of cash inflow to the municipality

25. Loss on disposal of assets and liabilities variance arises as a results of budgeting it under general expenditure instead of a separate item.

26. Fair value adjustment variance arises as a results of not budgeting it as a line item.

27. Actuarial Gain/ (Losses) variance arises as a results of budgeting it under general expenditure instead of a separate item.