Moqhaka Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2016

COMMISSIONER OF OATHS
McCarthy Noel
Deputy Business Executive
FREE STATE BU
AUDITOR - GENERAL SOUTH AFRICA
Forum building, 2nd Floor
19 Donald Murray Road
Brandwag
Bloemfontein, 9301

General Information

Jurisdiction Number	Municipal demarcation code FS201
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
Nature of business and principal activities	Moqhaka is a local municipality performing functions as set out in the constitution (Act 105 of 1996)
Mayoral committee	
Executive Mayor	Mareka, J
Speaker	Nakedi, ACWD
Chief Whip	Koloi, MA
Members of the Mayoral Committee	Colbert, DPC
	Makau, TL
	Thipane, MP
	Dire, AMS
	Machobane, ML (Deceased)
	Mokoena, S
	Moletsane, ER
	Tau, DA
	Magadlela, ZS
	Mkhwanazi, TM
	Tladi, SB
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mqwathi, MS
Chief Finance Officer (CFO)	Marumo, T
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Du Randt & Louw Majavu Incorporated Lebea & Associates Attorneys

General Information

Preparer	The audited annual financial statements were internally compiled by: The office of the CFO
Members of council	Dalton, CM Chakane MS Geldenhuis, J Green, MM Hattingh, JM Kgang, LD Khiba, SV Leokaoke, TJ Letsitsa, ME Lithupa, MJ Makoele, WL Malinga, DM Masuret, A Mbono, MD Mkhotheni, NW Mokodutlo, NP Mofokeng, MJ Monoto, MA Mofokeng, RD Nketle, MA Notsi, EM Ntsala, TM Nzunga, DN Phooko, PJ Rooskrans, B Seleke, LM Selikoe, NM Sethabela, MJ Shahim, DM Taje, FM Thajane, MI Twapa, VPM Van Schalkwyk, L Vermeulen, M Viljoen, AH Wille, GV

Index

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

The following supplementary information does not form part of the audited annual financial statements and is unaudited:

Appendixes:

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
MMC	Member of Mayoral Committee
COGTA	Cooperative Governance and Traditional Affairs
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IDP	Integrated Development Plan
DWS	Department of Water and Sanitation
MSIG	Municipal Systems Improvement Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provicial and Local Government's determination in accordance with this Act.

The audited annual financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on the 31 August 2016:

MQWATHI

Mqwathi, MS
Accounting Officer

Kroonstad

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moqhaka Municipal Area.

Net deficit of the municipality was R 83 901 995 (2015: surplus R 12 720 336).

2. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of R 2 235 292 210 and that the municipality's total liabilities exceed its assets by R 2 235 292 210.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2016.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The audited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Non-current assets

No major changes were experienced within the non-current assets.

7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mqwathi, MS	South African

8. Auditors

Auditor General of South Africa (AG-SA).

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	11 845 788	30 560 306
Receivables from exchange transaction	4	87 751 236	87 189 412
Inventories	5	12 088 788	11 125 716
Receivables from non-exchange transactions	6	18 936 775	19 317 010
		130 622 587	**148 192 444**
Non-Current Assets			
Investments	7	232 911	232 636
Heritage assets	8	2 163 451	2 163 451
Investment property	9	158 154 797	154 157 178
Property, plant and equipment	10	2 234 929 431	2 239 660 671
Intangible assets	11	3 241 781	1 102 996
Long term debtors	4	7 028 943	7 854 766
		2 405 751 314	**2 405 171 698**
Total Assets		**2 536 373 901**	**2 553 364 142**
Liabilities			
Current Liabilities			
Consumer deposits	13	12 720 145	12 146 690
Finance lease obligation	14	646 563	140 272
Other financial liabilities	15	1 218 947	1 142 474
Payables from exchange transactions	16	167 481 716	109 552 631
Unspent conditional grants and receipts	17	339 282	693 419
VAT payable	19	24 896 532	16 386 077
		207 303 185	**140 061 563**
Non-Current Liabilities			
Employee benefit obligation	12	40 796 000	42 561 000
Finance lease obligation	14	678 642	34 900
Other financial liabilities	15	22 408 953	23 651 077
Provisions	18	29 894 911	27 861 409
		93 778 506	**94 108 386**
Total Liabilities		**301 081 691**	**234 169 949**
Net Assets		**2 235 292 210**	**2 319 194 193**
Accumulated surplus		2 235 292 210	2 319 194 193

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* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Government grants & subsidies	22	265 079 643	240 348 389
Property rates	23	48 467 154	46 124 567
Service charges	24	356 697 208	344 092 277
Donated assets	25	271 360	2 449 130
Rental of facilities and equipment	26	5 998 754	3 746 958
Fees earned	27	1 179 594	753 375
Dividends received	28	11 831	11 421
Interest received	28	17 724 177	12 281 949
Other income	29	9 988 553	9 719 841
Discount received	30	90 025	161 947
Fines	31	2 634 920	4 545 114
Total revenue		**708 143 219**	**664 234 968**
Expenditure			
Employee related costs	32	209 760 410	176 083 798
Remuneration of councillors	33	17 824 721	16 756 655
Debt Impairment	34	66 683 498	25 968 340
Depreciation and amortisation	35	109 148 908	103 812 220
Impairment loss on assets	36	1 332 184	5 917 886
Finance costs	37	8 562 250	7 143 528
Contracted services	38	27 431 000	19 007 428
Repairs and maintenance	39	58 889 678	36 003 408
Grants and subsidies paid	40	3 346 719	2 948 451
Bulk purchases	41	211 953 085	186 165 818
Loss on disposal of assets	42	2 228 931	24 823
General Expenses	43	87 040 142	76 383 135
Total expenditure		**804 201 526**	**656 215 490**
Operating surplus / (deficit)		**(96 058 307)**	**8 019 478**
Fair value adjustments	45	5 197 896	3 045 229
Inventories write-ups / (write-downs)	5	1 714 657	-
Actuarial gains / (losses) on employees benefit obligation	61	5 243 759	1 655 629
		12 156 312	**4 700 858**
Surplus / (deficit) for the year		**(83 901 995)**	**12 720 336**

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* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 334 552 593	2 334 552 593
Adjustments		
Prior year adjustments (Refer Note 50)	(28 078 736)	(28 078 736)
Balance at 01 July 2014 as restated*	**2 306 473 857**	**2 306 473 857**
Changes in net assets		
Surplus / (Deficit) for the year	12 720 336	12 720 336
Total changes	12 720 336	12 720 336
Restated* Balance at 01 July 2015	**2 319 194 205**	**2 319 194 205**
Changes in net assets		
Surplus / (Deficit) for the year	(83 901 995)	(83 901 995)
Total changes	(83 901 995)	(83 901 995)
Balance at 30 June 2016	**2 235 292 210**	**2 235 292 210**

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* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		340 510 888	334 303 463
Grants		264 725 506	233 061 843
Interest income		17 724 177	12 281 949
Dividends received		11 831	11 421
Discount received		90 025	161 947
Other receipts		18 687 381	13 984 473
		641 749 808	593 805 096
Payments			
Employee costs		(218 803 141)	(183 920 724)
Suppliers		(324 165 760)	(313 046 725)
Finance costs		(8 562 250)	(7 143 528)
		(551 531 151)	(504 110 977)
Net cash flows from operating activities	46	**90 218 657**	**89 694 119**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(106 404 053)	(80 365 316)
Purchase of intangible assets	11	(2 513 504)	-
Net cash flows from investing activities		**(108 917 557)**	**(80 365 316)**
Cash flows from financing activities			
Decrease in Long term loans		(1 165 651)	(1 062 781)
Increase in Finance lease liabilities		1 150 033	41 999
Net cash flows from financing activities		**(15 618)**	**(1 020 782)**
Net increase/(decrease) in cash and cash equivalents		**(18 714 518)**	**8 308 021**
Cash and cash equivalents at the beginning of the year		30 560 306	22 252 285
Cash and cash equivalents at the end of the year	3	**11 845 788**	**30 560 306**

The indirect method is used to present the cash flow statement.

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* See Note 50

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	61 895 000	252 000	**62 147 000**	48 467 154	**(13 679 846)**	23
Service charges	420 036 000	21 140 000	**441 176 000**	356 697 208	**(84 478 792)**	24
Investment revenue	1 059 000	(308 000)	**751 000**	8 281 773	**7 530 773**	28
Transfers recognised - operational	172 436 000	(8 145 000)	**164 291 000**	265 079 643	**100 788 643**	22
Other revenue	19 825 000	16 857 000	**36 682 000**	41 773 753	**5 091 753**	21
Total Revenue (excluding capital transfers and contributions)	**675 251 000**	**29 796 000**	**705 047 000**	**720 299 531**	**15 252 531**	
Expenditure by type						
Employee costs	(193 144 000)	(5 432 000)	**(198 576 000)**	(209 760 410)	**(11 184 410)**	32
Remuneration of councillors	(17 341 000)	745 000	**(16 596 000)**	(17 824 721)	**(1 228 721)**	33
Debt impairment	(14 300 000)	8 736 000	**(5 564 000)**	(66 683 498)	**(61 119 498)**	34
Depreciation & asset impairment	(25 344 000)	4 154 000	**(21 190 000)**	(109 148 908)	**(87 958 908)**	35
Finance charges	(3 590 000)	1 068 000	**(2 522 000)**	(8 562 250)	**(6 040 250)**	37
Bulk purchases	(215 268 000)	1 161 000	**(214 107 000)**	(211 953 085)	**2 153 915**	38
General expenditure	(201 069 000)	(7 499 000)	**(208 568 000)**	(180 268 654)	**28 299 346**	43
Total expenditure	**(670 056 000)**	**2 933 000**	**(667 123 000)**	**(804 201 526)**	**(137 078 526)**	
Surplus / (Deficit)	**5 195 000**	**32 729 000**	**37 924 000**	**(83 901 995)**	**(121 825 995)**	
Surplus / (Deficit) after capital transfers & contributions	**5 195 000**	**32 729 000**	**37 924 000**	**(83 901 995)**	**(121 825 995)**	
Surplus / (Deficit) for the year	**5 195 000**	**32 729 000**	**37 924 000**	**(83 901 995)**	**(121 825 995)**	

The accounting policies on pages 13 to 38 and the notes on pages 39 to 86 form an integral part of the audited annual financial statements.

The variances of the Actual amounts vs Budget that are more than 10% have fully explained in Appendix E1.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	61 895 000	252 000	62 147 000	-		62 147 000	48 467 154		(13 679 846)	78 %	78 %
Service charges	420 036 000	21 140 000	441 176 000	-		441 176 000	356 697 208		(84 478 792)	81 %	85 %
Investment revenue	1 059 000	(308 000)	751 000	-		751 000	8 281 773		7 530 773	1 103 %	782 %
Transfers recognised - operational	172 436 000	(8 145 000)	164 291 000	-		164 291 000	265 079 643		100 788 643	161 %	154 %
Other own revenue	19 825 000	16 857 000	36 682 000	-		36 682 000	41 773 753		5 091 753	114 %	211 %
Total revenue (excluding capital transfers and contributions)	**675 251 000**	**29 796 000**	**705 047 000**	**-**		**705 047 000**	**720 299 531**		**15 252 531**	**102 %**	**107 %**
Employee costs	(193 144 000)	(5 432 000)	(198 576 000)	-	-	(198 576 000)	(209 760 410)	-	(11 184 410)	106 %	109 %
Remuneration of councillors	(17 341 000)	745 000	(16 596 000)	-	-	(16 596 000)	(17 824 721)	-	(1 228 721)	107 %	103 %
Debt impairment	(14 300 000)	8 736 000	(5 564 000)			(5 564 000)	(66 683 498)	-	(61 119 498)	1 198 %	466 %
Depreciation and asset impairment	(25 344 000)	4 154 000	(21 190 000)			(21 190 000)	(109 148 908)	-	(87 958 908)	515 %	431 %
Finance charges	(3 590 000)	1 068 000	(2 522 000)	-	-	(2 522 000)	(8 562 250)	-	(6 040 250)	340 %	239 %
Materials and bulk purchases	(215 268 000)	1 161 000	(214 107 000)	-	-	(214 107 000)	(211 953 085)	-	2 153 915	99 %	98 %
Other expenditure	(201 069 000)	(7 499 000)	(208 568 000)	-	-	(208 568 000)	(180 268 654)	-	28 299 346	86 %	90 %
Total expenditure	**(670 056 000)**	**2 933 000**	**(667 123 000)**	**-**	**-**	**(667 123 000)**	**(804 201 526)**	**-**	**(137 078 526)**	**121 %**	**120 %**
Surplus/(Deficit)	**5 195 000**	**32 729 000**	**37 924 000**	**-**		**37 924 000**	**(83 901 995)**		**(121 825 995)**	**(221)%**	**(1 615)%**
Surplus/(Deficit) for the year	**5 195 000**	**32 729 000**	**37 924 000**	**-**		**37 924 000**	**(83 901 995)**		**(121 825 995)**	**(221)%**	**(1 615)%**

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

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

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 [i.e. production estimates, supply demand], together with economic factors such as inflation interest.

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 18 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment as wel as intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the conditional and use of the individual asset. This estimate is based on industry norm. Management will change the depreciation charge where useful lives are more / less than previously estimated.

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 the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

1.3 Investment property

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

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

Accounting Policies

1.3 Investment property (continued)

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

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

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

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

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

An investment property shall be derocognised (eliminated from the statement of financial position) 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 gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

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, or for administrative purposes, and are expected to be used during more than one reporting period.

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

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

Property, plant and equipment is initially measured at cost.

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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**
Land	Indefinite
Buildings	7 - 80 years
Plant and machinery	2 - 15 years
Furniture and fixtures	2 - 10 years
Motor vehicles	2- 20 years
Office equipment	3 - 7 years
IT equipment	3 - 7 years
Infrastructure	
• Park Infrastructure assets	7 - 80 years
Community	
• Land	Indefinite
• Buildings	7 - 80 years
Electricity	7 - 80 years
Quarries	15 - 20 years
Landfill sites	15 - 80 years
Finance leases - 3G cards	2 years
Finance leases - Cellphones	2 years
Solid waste	15 - 80 years
Waste water network	7 - 80 years
Portable water network	8 - 100 years
Storm water	40 - 60 years
Heritage	Indefinite
Roads, Bridges and Roadside Structures	8 - 80 years
Roads, Bridges and Roadside Structures	8 - 80 years
Railway	60 - 100 years

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Impairment

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

Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

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.

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.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

Accounting Policies

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, 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.

Accounting Policies

1.6 Heritage assets (continued)

Impairment

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

Transfers

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

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

Derecognition

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

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

1.7 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

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

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

Item	Useful life
Computer software, internally generated	20 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

1.8 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

Accounting Policies

1.8 Financial instruments (continued)

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity classifies financial assets and financial liability as reflected on the face of the statement of financial position into the following categories:

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value.

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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 entity 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 entity 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, an 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - lessor

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

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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.

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

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

Operating leases - lessee

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

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

1.11 Inventories

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Inventories (continued)

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.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Impairment losses are recognised immediately in surplus or deficit.

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

Accounting Policies

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

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

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

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

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

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

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

Impairment losses are recognised immediately in surplus or deficit.

1.14 Equity instruments

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

1.15 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

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

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

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

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

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

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

Past service costs: Recognise past service cost as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of the defined benefit plan is recognised when the curtailment or settlement occurs.

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

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

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

Post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throught the year.

1.16 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.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.17 Revenue from exchange transactions

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when levieable in terms of law.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

Recognition

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

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

The municipality is required to recognise a corresponding liability when a transferred asset is received if there are conditions attached to the asset which, if not met, will result in the money being refundable to the transferor.

Accounting Policies

1.18 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.

Assessment Rates

Revenue from rates, including collection charges and penalty interest, shall be recogised when

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- there has been compliance with the relevant legal requirement.
- changes to property values during a reporting period, which are referred to as "interims", are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised

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.

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

Revenue from the issuing of fines shall be recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably
- there are two types of fines; spot fines and summoneses. Municipalities will usually issue both types of fines.There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable
- In respect of summonses the public prosecutor can decide whether to waive the fines made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where reliable estimate cannot be made of revenue from summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Services in-kind

The municipality recognises services in-kind that are significant to its operations and / or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of assets can be measured reliably.

If the services in-kind are not significant to the entity's operations and / or service delivery objectives and / or do not satisfy the criteria for recognition, the entity shall disclose the nature and type of services in-kind received during the reporting period.

Where the municipality enters a financial guarantee contract, and it does not pay a guarantee to the insurer, the municipality discloses the existence of such contracts and the fact that no fee was paid to the insurer, but no assets are recognised.

1.19 Investment income

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

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.21 Comparative figures

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

Budget information, in accordance with GRAP 24, has been provided in Annexure E(1) to these financial statements.

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

1.22 Unauthorised expenditure

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

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

1.23 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.24 Irregular expenditure

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

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

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

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

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

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.27 Conditional grants and receipts

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.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

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

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations
Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

1.28 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.29 Related parties

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

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.

Accounting Policies

1.29 Related parties (continued)

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.

1.30 Contractual Commitments

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

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.Expenditure on research is recognised as an expense when it is incurred.

1.31 Subsequent Events

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.32 GRAP 24 Presentation of Budget Information

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

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

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

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

The audited 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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists.
All material differences are explained in the notes to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective

GRAP16 Investment Property

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 audited annual financial statements.

The expected impact of the standard is an increased disclosure relating to repairs and maintenance and long-overdue projects. Re-assessment of useful lives and residual values on a indicator basis - not annually. Encouraged disclosure removed.

It is expected to have a significant impact on the financial statements, but cannot be quantified are present.

GRAP17 Property, Plant and Equipment

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 audited annual financial statements.

The expected impact of the standard is an increased disclosure relating to repairs and maintenance and long-overdue projects. Re-assessment of useful lives and residual values on a indicator basis - not annually. Encouraged disclosure removed.

GRAP20 Related Party Disclosures

The effective date of the standard is not yet set.

Standard is available for the entity to use to disclose information in its financial statements pertaining to related parties. The entity is currently applying this Standard.

GRAP32 Service Concession Arrangements: Grantor

The effective date of the standard is not yet set.

The Standard requires the accounting for service concession assets by the grantor.
This Standard is not relevent to the entities operations.

GRAP108 Statutory Receivables

The effective date of the standard is not yet effective.

The Standard requires the accounting for receivables that arise from legislation or similar means. The recognition and measurement is at transaction date and the transaction amount. Separate presentaiton and disclosure is also required. The Standard is available for the entity to formulate accounting policies. The entity has opted to apply the principles in formulating its accounting policies. Refer accounting policies.

GRAP109 Accounting by Principals and Agents

The effective date of the standard is not yet set.

The Standard requires the consideration of principal-agent arrangements to determine whether the entity should account as principal or agent. It also requires additional disclosure pertaining to the arrangement.
It is expected to have a significant impact on the financial statements, but cannot be quantified are present.

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The effective date of the standard is not yet set.

The Interpretation requires the accounting for service concession assets by the grantor.
This Interpretation is not relevent to the entities operations.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 480	13 920
Bank balances	5 481 718	15 404 366
Short-term deposits	6 348 590	15 142 020
	11 845 788	**30 560 306**

The fair value of the cash and cash equivalents approximate their carrying value.

Cash and cash equivalents pledged as collateral

Local guarantees issued to Department of Mining and Energy This cession is unlimited and is linked to ABSA fixed deposit account number: 205 824 7882	-	65 690
Local guarantees issued to Department of Mining and Energy This cession is linked to ABSA notice deposit account number: 630 1219190	50 000	40 015
	50 000	**105 705**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Cheque Account - 405-327-4876	5 063 141	17 707 778	6 676 739	5 464 749	15 384 837	6 304 450
ABSA BANK - Fixed Deposit - 204-843-5948	-	54 064	51 397	-	54 064	51 397
ABSA BANK - Fixed Deposit - 205-824-7882	69 809	65 690	62 652	69 809	65 690	59 912
ABSA BANK - Notice Deposit - 630-0121-9190	-	40 015	39 696	-	40 015	39 696
ABSA BANK - Savings Account - 913-190-1443	6 271 062	14 870 953	15 653 770	6 271 062	14 870 953	15 653 770
ABSA BANK - Savings Account -914-414-9383	-	6 680	2 839	-	6 680	2 839
ABSA BANK - Savings Account - 918-265-3631	-	2 574	2 525	-	2 574	2 525
ABSA BANK - Savings Account - 923-247-6515	-	94 863	93 049	-	94 863	93 049
ABSA BANK - Notice Deposit - 207-531-4898	3 671	-	-	3 671	-	-
Cash on hand	-	-	-	15 480	13 920	15 920
Accrued interest	-	-	-	21 017	26 710	25 988
Total	**11 407 683**	**32 842 617**	**22 582 667**	**11 845 788**	**30 560 306**	**22 249 546**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

4. Receivables from exchange transactions

Gross balances		
Electricity	42 171 108	34 136 832
Water	178 319 216	152 300 138
Interest on debtors	59 278 013	44 414 264
Sewerage	42 327 677	37 475 674
Refuse	30 099 449	25 537 734
Other services*	20 088 318	16 043 678
Deposit	2 467 754	3 416 083
	374 751 535	**313 324 403**

*Other Service comprise of: Rental (including leases), Fire services and advertising services.

Less: Allowance for impairment		
Electricity	(10 955 264)	(11 357 223)
Water	(161 884 234)	(120 319 366)
Interest on debtors	(39 632 079)	(31 079 537)
Sewerage	(34 136 600)	(27 604 056)
Refuse	(23 124 765)	(18 752 156)
Other services*	(15 540 548)	(14 708 560)
Deposits	(1 726 809)	(2 314 093)
	(287 000 299)	**(226 134 991)**

Net balance		
Electricity	31 215 844	22 779 609
Water	16 434 982	31 980 772
Interest on debtors	19 645 934	13 334 727
Sewerage	8 191 077	9 871 618
Refuse	6 974 684	6 785 578
Other services	4 547 770	1 335 118
Deposit	740 945	1 101 990
	87 751 236	**87 189 412**

Electricity		
Current (0 -30 days)	10 399 009	11 860 326
31 - 60 days	1 219 275	1 150 573
61 - 90 days	661 759	698 996
91 - 120 days	18 935 801	9 069 714
	31 215 844	**22 779 609**

Water		
Current (0 -30 days)	560 446	6 670 535
31 - 60 days	446 495	4 011 847
61 - 90 days	373 043	3 423 139
91 - 120 days	15 054 998	17 875 251
	16 434 982	**31 980 772**

Interest on debtors		
Current (0 -30 days)	507 433	1 290 703
31 - 60 days	511 981	1 448 934
61 - 90 days	986 788	1 412 812
91 - 120 days	17 639 732	9 182 278
	19 645 934	**13 334 727**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

4. Receivables from exchange transactions (continued)

Sewerage

Current (0 -30 days)	344 862	1 581 662
31 - 60 days	189 891	962 657
61 - 90 days	162 777	867 557
91 - 120 days	7 493 547	6 459 742
	8 191 077	**9 871 618**

Refuse

Current (0 -30 days)	321 119	1 050 533
31 - 60 days	181 615	632 665
61 - 90 days	159 331	572 629
91 - 120 days	6 312 619	4 529 751
	6 974 684	**6 785 578**

Other services

Current (0 -30 days)	211 693	246 401
31 - 60 days	145 782	109 692
61 - 90 days	92 372	242 193
91 - 120 days	4 097 923	736 832
	4 547 770	**1 335 118**

Deposit

Current (0 -30 days)	32 599	322 029
31 - 60 days	22 449	144 879
61 - 90 days	14 224	152 737
91 - 120 days	671 673	482 345
	740 945	**1 101 990**

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	9 586 402	16 981 392
31 - 60 days	7 778 760	6 888 438
61 - 90 days	7 913 807	6 353 719
91 - 120 days	321 187 495	246 462 732
	346 466 464	276 686 281
Less: Allowance for impairment	(282 152 148)	(224 167 600)
	64 314 316	**52 518 681**

Industrial/ commercial

Current (0 -30 days)	8 469 491	8 786 714
31 - 60 days	744 522	1 246 757
61 - 90 days	378 451	796 550
91 - 120 days	9 067 384	21 078 467
	18 659 848	31 908 488
Less: Allowance for impairment	(4 848 151)	(1 967 390)
	13 811 697	**29 941 098**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

4. Receivables from exchange transactions (continued)

National and provincial government		
Current (0 -30 days)	3 693 701	1 889 718
31 - 60 days	791 575	271 208
61 - 90 days	551 777	210 691
91 - 120 days	4 588 170	2 358 016
Less: Allowance for impairment	-	-
	9 625 223	**4 729 633**

Total		
Current (0 -30 days)	24 583 164	27 657 824
31 - 60 days	9 583 951	8 406 402
61 - 90 days	9 072 132	7 360 960
91 - 120 days	331 512 289	269 899 217
	374 751 536	313 324 403
Less: Allowance for impairment	(287 000 300)	(226 134 991)
	87 751 236	**87 189 412**

Long term debtors		
> 365 days	7 028 943	7 854 766

Reconciliation of allowance for impairment		
Balance at beginning of the year	(226 134 991)	(205 168 671)
Contributions to allowance	(61 911 906)	(23 904 626)
Reversal of allowance of impairment	988 231	-
Write offs against the provision	58 367	2 938 306
	(287 000 299)	**(226 134 991)**

Long term debtors

Long term debtors inlncluded in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivables from exchange transaction have been pledged as collateral for liabilities of the municipality.

5. Inventories

Consumable stores	11 799 582	10 887 911
Water	289 206	237 805
	12 088 788	**11 125 716**

None of the inventories held by the municipality were measured at fair value less cost to sell.

Consumable Inventory held by the municipality increased by R911,671 in the current year (2015: R5,897,637).

Water Inventory held by the municipality increased by R51,402 in the current year (2015: R6,112).

During the year inventory that were issued through the Statement of Financial Performance amounted to R10,231,891.07.

During the year Council approved the inventory adjustments of R1,714,657 that went through the Statement of Financial Performance.

No Inventories have been pledged as collateral for liabilities of the municipality.

Figures in Rand	2016	2015

6. Receivables from non-exchange transactions

Fines	3 254 426	3 368 406
Assessment Rates	13 209 359	13 491 615
Sundry receivables	2 472 990	2 456 989
	18 936 775	**19 317 010**

Assessment rates		
Gross balance	28 752 735	26 491 443
Less: Allowance for impairment	(15 543 376)	(12 999 828)
	13 209 359	**13 491 615**

Total		
Current (0-30 days)	2 555 883	2 378 158
31 - 60 days	980 854	958 089
61 - 90 days	697 284	704 042
91 - 120 days	24 518 714	22 451 154
Less: Impairment	(15 543 376)	(12 999 828)
	13 209 359	**13 491 615**

Residential		
Current (0-30 days)	1 606 048	1 509 826
31 - 60 days	794 263	736 891
61 - 90 days	596 020	584 710
91 - 120 days	22 488 848	20 583 489
Less: Impairment	(13 573 490)	(11 032 438)
	11 911 689	**12 382 478**

Industrial / commercial		
Current (0-30 days)	945 614	846 702
31 - 60 days	182 371	209 514
61 - 90 days	97 044	107 993
91 - 120 days	2 027 947	1 858 120
Less Impairment	(1 969 886)	(1 967 390)
	1 283 090	**1 054 939**

National and provincial government		
Current (0-30 days)	4 221	21 630
31 - 60 days	4 220	11 684
61 - 90 days	4 220	11 339
91 - 120 days	1 919	9 545
	14 580	54 198
	14 580	**54 198**

Fines		
Gross balance	6 911 294	5 444 541
Less: Allowance for impairment	(3 656 868)	(2 076 135)
	3 254 426	**3 368 406**

The fair value other receivables approximate their carrying values.

No receivable from non-exchange have been pledged as collateral for liabilities of the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

6. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment - Assessment Rates

	2016	2015
Balance at beginning of the year	(12 999 828)	(13 482 445)
Contributions to allowance	(3 881 860)	-
Reversal of allowance of impairment	-	482 617
Write offs against the provision	1 338 311	-
	(15 543 377)	**(12 999 828)**

7. Investments

	2016	2015
Designated at fair value		
Senwesbel The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	108 780	109 687
Senwes The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	124 131	122 949
	232 911	**232 636**

	2016	2015
Non-current assets		
Designated at fair value	232 911	232 636

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

8. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	2 163 451	-	2 163 451	2 163 451	-	2 163 451

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	2 163 451	2 163 451

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	2 163 451	2 163 451

Deemed costs

Aggregate of items valued using deemed cost	-	2 163 451

Deemed cost was determined using the current replacement cost (CRC).

9. Investment property

	2016			2015		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	158 154 797	-	158 154 797	154 157 178	-	154 157 178

Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	154 157 178	(1 200 000)	5 197 619	158 154 797

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	151 123 693	3 033 485	154 157 178

Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation for the acquisition of Investment Property.

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.

9. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2016. The method used by valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current market value from analysis of most recent property sales dating 2009 to current.

The assumptions made were to use the market related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of the investment property was provided by Pieter Hendrik Venter, registered as a candidate valuer under subsection (2) of section 22 of (Act 47) of 2000 assisted Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Propery Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

	2016	2015
Rental revenue from investment property	2 164 585	1 850 269

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 263 468	-	60 263 468	60 263 468	-	60 263 468
Buildings	50 893 265	(16 238 344)	34 654 921	50 720 691	(15 216 207)	35 504 484
Plant and machinery	6 897 940	(3 277 493)	3 620 447	6 236 005	(3 249 619)	2 986 386
Furniture and fixtures	4 963 448	(2 631 771)	2 331 677	4 981 405	(2 596 288)	2 385 117
Motor vehicles	56 549 575	(29 134 715)	27 414 860	48 526 277	(25 085 703)	23 440 574
Office equipment	11 160 249	(6 778 930)	4 381 319	13 205 210	(7 641 042)	5 564 168
IT equipment	8 832 763	(4 347 587)	4 485 176	8 809 877	(3 869 801)	4 940 076
Infrastructure	3 882 595 192	(1 969 659 209)	1 912 935 983	3 825 493 492	(1 874 642 535)	1 950 850 957
Community	169 156 660	(81 935 772)	87 220 888	159 483 397	(76 512 052)	82 971 345
Capital work in progress	96 276 622	-	96 276 622	70 568 182	-	70 568 182
Finance leased assets	2 146 732	(802 662)	1 344 070	295 042	(109 128)	185 914
Total	**4 349 735 914**	**(2 114 806 483)**	**2 234 929 431**	**4 248 583 046**	**(2 008 922 375)**	**2 239 660 671**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	WIP transfers to Infrastructure	Depreciation	Impairment loss	Total
Land	60 263 468	-	-	-	-	-	60 263 468
Buildings	35 504 484	-	-	172 574	(1 022 137)	-	34 654 921
Plant and machinery	2 986 386	1 545 323	(89 524)	-	(821 738)	-	3 620 447
Furniture and fixtures	2 385 117	358 153	(67 710)	-	(343 883)	-	2 331 677
Motor vehicles	23 440 574	8 048 523	(2 523)	-	(4 071 714)	-	27 414 860
Office equipment	5 564 168	63 421	(179 256)	-	(1 067 014)	-	4 381 319
IT equipment	4 940 076	685 842	(66 296)	-	(1 074 446)	-	4 485 176
Infrastructure	1 950 850 957	1 402 056	(481 034)	56 854 385	(94 358 197)	(1 332 184)	1 912 935 983
Community	82 971 345	-	-	9 673 263	(5 423 720)	-	87 220 888
Capital work in progress	70 568 182	92 408 662	-	(66 700 222)	-	-	96 276 622
Finance leased assets	185 914	1 892 073	(586)	-	(733 331)	-	1 344 070
	2 239 660 671	**106 404 053**	**(886 929)**	**-**	**(108 916 180)**	**(1 332 184)**	**2 234 929 431**

Notes to the Audited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP transfers to Infrastructure	Depreciation	Impairment loss	Total
Land	60 263 468	-	-	-	-	-	60 263 468
Buildings	36 518 897	-	-	-	(1 014 413)	-	35 504 484
Plant and machinery	2 952 258	583 124	(5 623)	-	(543 373)	-	2 986 386
Furniture and fixtures	2 451 399	225 545	-	-	(291 827)	-	2 385 117
Motor vehicles	25 404 711	1 190 585	(4 264)	-	(3 150 458)	-	23 440 574
Office equipment	6 464 007	147 469	(800)	-	(1 046 508)	-	5 564 168
IT equipment	3 712 182	1 998 937	(14 132)	-	(756 911)	-	4 940 076
Infrastructure	1 960 652 287	399 431	-	87 313 177	(91 596 051)	(5 917 887)	1 950 850 957
Community	88 051 668	37 442	-	-	(5 117 765)	-	82 971 345
Capital work in progress	82 357 989	75 523 370	-	(87 313 177)	-	-	70 568 182
Finance leased assets	35 353	259 413	-	-	(108 852)	-	185 914
	2 268 864 219	**80 365 316**	**(24 819)**	**-**	**(103 626 158)**	**(5 917 887)**	**2 239 660 671**

Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

10. Property, plant and equipment (continued)

Other information

The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets		
Approved and contracted for	56 503 789	87 699 601

The following amounts have been included in Other income which relates to damaged, lost or given up property, plant and equipment.		
Proceeds received from insurers	-	1 549 423

The following amounts relates to leased assets held by the entity included in property, plant and equipment		
Office Equipment	1 325 563	175 172

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.

Capital work in progress refers to infrastructure projectsand community asset projects which are still in the process of being completed.

Notes to the Audited Annual Financial Statements

11. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 229 441	(1 987 660)	3 241 781	4 271 118	(3 168 122)	1 102 996

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 102 996	2 513 504	(141 992)	(232 727)	3 241 781

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 289 058	-	(186 062)	1 102 996

Other information

There were no intangible assets that were assessed as having an indefinite useful live.

There are no intangible assets who's title is restricted or pledge as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

12. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

12. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(42 561 000)	(38 911 000)
Current service costs	(467 000)	(478 000)
Interest costs	(3 514 000)	(3 250 000)
Actuarial gains / (loss)	2 640 000	(3 008 000)
Benefit payments	3 106 000	3 086 000
	(40 796 000)	**(42 561 000)**

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

In-service members (employees)	7	22
Continuation members (e.g: Widows, orphans, pensioners)	70	67
	77	**89**

Net expense recognised in the statement of financial performance

Current service cost	(467 000)	(478 000)
Interest cost	(3 514 000)	(3 250 000)
Expected return on plan assets	-	-
Actuarial (gains) losses	2 640 000	(3 008 000)
Change in asset ceiling	-	-
Cash movement	-	-
Benefit payments	3 106 000	3 086 000
Employer contributions	-	-
	1 765 000	**(3 650 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rate used	9,18 %	8,52 %
Health care cost inflation	8,31 %	7,76 %
Net discount rate	0,80 %	0,71 %

The basis used to determine the overall expected rate of return on assets is as follow:

In line with GRAP 25 and current market practice, government bond yields are used as the South African corporate bond market is not considered to be sufficiently developed. Furthermore, it is One Pangaea Financial's view that South Africa does not have a deep and liquid market in corporate bonds, and therefore government bonds are used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 9.91 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

The expected benefit payments over the next annual reporting period is reflected in the table below.

Balance at 30 June 2016	(40 796 000)
Projected expenditure excluding actuarial (gains) / losses	(3 773 000)
Expected benefit payments	2 947 000
Expected as at 30 June 2017	**(41 622 000)**

12. Employee benefit obligations (continued)

Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in GRAP 25, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009:R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

13. Consumer deposits

	2016	2015
Kroonstad	12 720 145	12 146 690

Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

14. Finance lease obligation

Minimum lease payments due		
- within one year	711 548	152 632
- in second to fifth year inclusive	703 958	42 067
	1 415 506	194 699
less: future finance charges	(90 301)	(19 527)
Present value of minimum lease payments	**1 325 205**	**175 172**

Present value of minimum lease payments due		
- within one year	646 563	140 272
- in second to fifth year inclusive	678 642	34 900
	1 325 205	**175 172**

Non-current liabilities	678 642	34 900
Current liabilities	646 563	140 272
	1 325 205	**175 172**

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

Finance lease obligation - Equipment minimum lease payments due		
- within one year	711 548	152 632
- in second to fifth year inclusive	703 958	42 067
Subtotal	1 415 506	194 699
Less: Future finace charges	(90 301)	(19 527)
Present value of minimum lease payments	**1 325 205**	**175 172**

Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.

15. Other financial liabilities

At amortised cost		
Annuity loans - Development Bank of South Africa	23 627 900	24 793 551

The loan is unsecured and payable quarterly at fixed rate of 9%.
The redemption date of the loan is 31 July 2027.

Non-current liabilities		
At amortised cost	22 408 953	23 651 077

Current liabilities		
At amortised cost	1 218 947	1 142 474

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

16. Payables from exchange transactions

Trade payables	132 601 693	79 426 710
Payments received in advance	7 616 481	5 239 497
Annual bonus accrual	5 620 710	4 107 433
Leave pay accrual	17 766 245	13 976 291
Deposits received	7 549	27 595
Retention creditors	3 869 038	6 775 105
	167 481 716	**109 552 631**

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LGSETA Grant	339 282	482 129
Integrated National Electricification Prorgamme (INEP)	-	211 290
	339 282	**693 419**

Movement during the year

Balance at the beginning of the year	693 419	7 979 965
Additions during the year	264 725 506	236 605 843
Income recognition during the year	(265 079 643)	(240 348 389)
Repayment during the year	-	(3 544 000)
	339 282	**693 419**

Non-current liabilities	-	-
Current liabilities	339 282	693 419
	339 282	**693 419**

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

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

Figures in Rand	2016	2015

18. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	11 441 203	568 256	-	-	210 842	12 220 301
Provision for the rehabilitation cost of quarries	3 869 205	228 462	-	-	71 940	4 169 607
Funeral assistance	125 001	-	(8 001)	(8 000)	-	109 000
Long service bonus	12 426 000	970 003	-	-	-	13 396 003
	27 861 409	**1 766 721**	**(8 001)**	**(8 000)**	**282 782**	**29 894 911**

Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	11 907 880	(654 352)	-	187 675	11 441 203
Provision for the rehabilitation cost of quarries	3 927 604	(121 257)	-	62 858	3 869 205
Funeral assistance	132 000	-	(6 999)	-	125 001
Long service bonus	13 955 000	(2 561 000)	-	1 032 000	12 426 000
	29 922 484	**(3 336 609)**	**(6 999)**	**1 282 533**	**27 861 409**

Rehabilitation of landfill sites and quarries
In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Funeral Death Benefit
The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to municipal employees, and payout's are only made to employees who die in the service of the Municipality.

Long service award (LSA)

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of GRAP 25.

Summary of liability for landfill site costs

	2016	2015
Kroonstad Landfill Site	6 478 976	6 010 844
Steynsrus Landfill Site	1 953 522	1 861 990
Viljoenskroon Landfill Site	3 787 803	3 568 369
Kroonstad gravel quarry	3 241 080	3 003 867
Steynsrus gravel quarry	928 527	865 338
Interest cost	282 782	250 533
	16 672 690	**15 560 941**

Amounts recognised in the statement of Financial Performance are as follows:

	2016	2015
Current service cost	(735 000)	(856 000)
Interest cost	(948 000)	(1 032 000)
Actuarial gain / (losses)	(1 333 000)	867 000
Benefit payments	2 046 000	2 550 000
	(970 000)	**1 529 000**

Figures in Rand	2016	2015

18. Provisions (continued)

Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(12 426 000)	(13 955 000)
Plan assets	-	-
Movement in provision	(970 000)	1 529 000
Net obligation recognised in the Statement of Financial Position	**(13 396 000)**	**(12 426 000)**

Key assumptions used:

Assumptions used at the reporting date:

Discount rates used	9.18%	8.20%
Salary inflation	7.81%	6.97%
Net discount rate	1.27%	1.15%

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

19. VAT payable

VAT	24 896 532	16 386 077

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

20. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	87 751 236	-	87 751 236
Other receivables from non-exchange transactions	-	18 936 775	-	18 936 775
Long term debtors	-	7 028 943	-	7 028 943
Cash and cash equivalents	-	-	5 481 718	5 481 718
Short term deposit	-	-	6 348 590	6 348 590
Investments	232 911	-	-	232 911
	232 911	**113 716 954**	**11 830 308**	**125 780 173**

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 720 145	-	12 720 145
Finance lease obligation	1 325 205	-	1 325 205
Provisions	29 894 911	-	29 894 911
Payables from exchange transactions	167 481 716	-	167 481 716
Unspent conditional grants and receipts	-	339 282	339 282
VAT payable	-	24 896 532	24 896 532
Long-term loans	23 627 900	-	23 627 900
	235 049 877	**25 235 814**	**260 285 691**

2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	87 189 412	-	87 189 412
Other receivables from non-exchange transactions	-	19 317 010	-	19 317 010
Long term debtors	-	7 854 766	-	7 854 766
Cash and cash equivalents	-	-	15 404 366	15 404 366
Short term deposit	-	-	15 142 020	15 142 020
Investments	232 636	-	-	232 636
	232 636	**114 361 188**	**30 546 386**	**145 140 210**

Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 146 690	-	12 146 690
Finance lease obligation	175 172	-	175 172
Provisions	27 861 409	-	27 861 409
Payables from exchange transactions	109 552 631	-	109 552 631
Unspent conditional grants and receipts	-	693 419	693 419
VAT payable	-	16 386 077	16 386 077
Long-term loans	24 793 551	-	24 793 551
	174 529 453	**17 079 496**	**191 608 949**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

21. Revenue

Service charges	356 697 208	344 092 277
Donated assets	271 360	2 449 130
Rental of facilities and equipment	5 998 754	3 746 958
Fees earned	1 179 594	753 375
Discount received	90 025	161 947
Other income	9 988 553	9 719 841
Interest received	17 724 177	12 281 949
Dividends received	11 831	11 421
Property rates	48 467 154	46 124 567
Government grants and subsidies	265 079 643	240 348 389
Fines	2 634 920	4 545 114
	708 143 219	**664 234 968**

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

Service charges	356 697 208	344 092 277
Royalty income	271 360	2 449 130
Rental of facilities and equipment	5 998 754	3 746 958
Fees earned	1 179 594	753 375
Discount received	90 025	161 947
Other income	9 988 553	9 719 841
Interest received	17 724 177	12 281 949
Dividends received	11 831	11 421
	391 961 502	**373 216 898**

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

Taxation revenue		
Property rates	48 467 154	46 124 567
Transfer revenue		
Government grants & subsidies	265 079 643	240 348 389
Fines	2 634 920	4 545 114
	316 181 717	**291 018 070**

22. Government grants and subsidies

Equitable share	161 083 000	167 294 000
Municipal System Improvement grant (MSIG)	930 000	944 089
LG SETA grant	428 780	709 814
Municipal Infrastructure grant (MIG)	38 899 000	38 123 000
Regional Bulk Infrastructure Grant (RBIG)	60 701 573	18 184 653
Financial Management grant (FMG)	1 675 000	1 600 281
Intergrated National Electrification grant (INEP)	211 290	12 297 552
Expanded Public Works Program grant (EPWP)	1 151 000	1 195 000
	265 079 643	**240 348 389**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Equitable share

Balance unspent at beginning of year	-	-
Current-year receipts	161 083 000	167 294 000
Conditions met - transferred to revenue	(161 083 000)	(167 294 000)
Unspent grant	-	-

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	38 899 000	38 123 000
Conditions met - transferred to revenue	(38 899 000)	(38 123 000)
Unspent grant	-	-

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

LG SETA grant

Balance unspent at beginning of year	482 129	909 056
Current-year receipts	285 933	275 190
Conditions met - transferred to revenue	(428 780)	(702 117)
Unspent grant	**339 282**	**482 129**

Conditions still to be met - remain liabilities (see note 17).

The grant is used for training municipality staff to enhance their skills in their respective positions.

Extended Public Works Program grant

Current-year receipts	1 151 000	1 195 000
Conditions met - transferred to revenue	(1 151 000)	(1 195 000)
Unspent grant	-	-

This grant is used in respect of job creation projects and programmes.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	60 701 573	18 184 653
Conditions met - transferred to revenue	(60 701 573)	(18 184 653)
Unspent grant	-	-

Finance Management grant

Balance unspent at beginning of year	-	281
Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 281)
Unspent grant	-	-

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	10 089
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(944 089)
Unspent grant	-	-

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.

Department of local governtment (DPLG)

Balance unspent at beginning of year	-	1 147 622
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Prior period error	-	(1 147 622)
Unspent grant	-	-

Conditions still to be met - remain liabilities (see note 17).

This grant is to be used to assist with the development of urban renewal.

Intergrated national Electrification Program

Balance unspent at beginning of year	211 290	6 902 052
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(211 290)	(8 297 552)
Grants withheld by National Treasury through equitable share	-	(3 393 210)
	-	**211 290**

Conditions still to be met - remain liabilities (see note 17).

Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	-	150 790
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)
Grants withheld by National Treasury through equitable share	-	(150 790)
	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

23. Property rates

Rates received

Residential	47 643 576	45 536 474
State	12 165 134	11 300 859
Less: Income forgone	(11 341 556)	(10 712 766)
	48 467 154	**46 124 567**

Valuations

Commercial	4 913 987 534	4 952 173 847
Multi-purpose	30 890 001	30 890 001
Municipal	284 071 603	287 143 842
Non-ratable	178 260 506	180 000 507
Residential	3 893 046 472	3 859 800 478
State	1 008 644 347	1 007 594 347
	10 308 900 463	**10 317 603 022**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.004 (2015: R0.004) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2015: prime +1%) is levied on rates outstanding two months after due date.(Excluding national government property rates which is levied on an annual basis)

24. Service charges

Sale of electricity	246 687 827	229 329 991
Sale of water	73 146 623	81 562 097
Sewerage and sanitation charges	21 264 480	21 059 222
Refuse removal	16 628 288	13 925 467
Less: Income forgone	(1 030 010)	(1 784 500)
	356 697 208	**344 092 277**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

25. Donated assets

Steynsrus Bulk Water - DWA Funding	-	2 446 631
National Treasury	119 158	-
Engen	150 000	-
Cash Crusaders	702	-
Goldfields Development	1 500	-
Tiger Security	-	2 499
	271 360	**2 449 130**

2015/2016
IT equipment to the value of R119,158.00 was donated by National Treasury.
A Tanker with a value of R150,000.00 was donated by Engen.
A hammer drill with a value of R702.00 was donated by Cash Crusaders.
A desk with a value of R1,500.00 was donated by Goldfields Development.

2014/2015
The Regional Bulk Infrastructure Grant project in Steynsrus funded by the Department of Water Affairs was initially implemented by the municipality and for the 2013/14 and 2014/15 the department took over the project. The expenditure disclosed relates to the actual expenditure of R2,446,631 by DWA on the project for the respective financial year.

A fridge with a value of R2,499.00 was donated by Tiger Security.

26. Rental income

Facilities and equipment		
Rental of facilities	5 998 754	3 746 958

27. Fees earned

Administrative and management fees	1 179 594	753 375

28. Interest and dividends received

Dividend revenue		
Unlisted shares	11 831	11 421
Interest revenue		
Bank	2 271 188	2 501 135
South African Revenue Service (SARS)	-	1 524 505
Receivables from exchange transactions	15 452 989	8 256 309
	17 724 177	**12 281 949**
	17 736 008	**12 293 370**

All amounts above included in Investment revenue arises from exchange transactions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

29. Other income

Advertisements	-	400
Advertising signs	75 906	75 284
Building plans and inspection fees	88 161	130 474
Burial income	868 503	927 279
Clearance certificates	206 617	156 341
Commission premiums	251 124	226 137
Connection fees	2 928 905	1 770 845
Erven sales	1 783 101	454 165
Escort fees	4 258	4 860
Fire brigade fees	409 347	104 239
Hostel fees	41 255	41 255
Insurance claims	294 789	1 546 924
Provision for rehabilitation adjustment	-	775 609
Administration income	321 200	192 814
Funeral assistance	8 000	4 318
Parking	163 664	-
Railway siding industrial	581 294	465 592
Rescue and assistance fees	570 129	487 404
Special services	2 241	15 513
Sundry income	802 296	1 135 550
Telephone costs recovered	189 398	248 026
Unclaimed deposits	346 964	950 700
Water valuation adjustments	51 401	6 112
	9 988 553	**9 719 841**

30. Discount received

Discount received consists of:		
Suppliers	90 025	161 947

31. Fines

Fines consists of:		
Traffic fines	2 465 780	4 263 300
Library and lost books	1 892	2 089
Tampered meters	167 248	279 725
	2 634 920	**4 545 114**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

32. Employee related costs

Basic	123 314 581	101 074 867
Bonus	9 800 506	7 828 776
Medical aid - company contributions	14 297 738	12 302 432
UIF	1 253 894	1 033 286
SDL	1 704 852	1 415 182
Industrial council levy	79 416	63 199
Leave pay provision charge	7 146 698	6 434 603
Group Life Insurance General	1 670 203	1 693 292
Defined contribution plans	21 050 800	17 908 474
Overtime payments	16 387 813	15 131 166
Car allowance	9 242 773	7 865 042
Housing benefits and allowances	1 022 846	826 636
Other allowances	857 908	715 586
Telephone allowance	405 140	361 388
Standby allowance	1 525 242	1 429 869
	209 760 410	**176 083 798**

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

Remuneration of Municipal Manager

Annual Remuneration	960 393	848 407
Contributions to UIF, Medical and Pension Funds	47 730	44 839
Allowances	679 692	552 517
Travel and subsistence	32 736	20 225
Skills development levy	15 633	13 392
	1 736 184	**1 479 380**

Remuneration of Chief Financial Officer

Annual Remuneration	754 188	712 662
Contributions to UIF, Medical and Pension Funds	153 791	144 262
Allowances	388 420	354 143
Travel and subsistence	53 864	34 283
Skills development levy	10 515	9 816
	1 360 778	**1 255 166**

Executive Director: Technical Services

Annual Remuneration	-	-

There is no permanent employed Director: Technical Services and the following officials acted as the Director.

2015
Mr MH Geringer received an acting allowance for a period of 1 July 2014 to 30 June 2015 to the amount of R363 806.

2016
Mr MH Geringer received an acting allowance for a period of 1 Aug 2015 to 31 Dec 2015 to the amount of R172 121.
Mrs CP Botha received an acting allowance for a period of 01 March 2016 to 30 June 2016 to the amount of R201 837 .

Amount Paid

Acting allowance	373 958	363 806

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

32. Employee related costs (continued)

Executive Director: Corporate Services

Annual Remuneration	745 828	712 662
Allowances	385 856	344 273
Contributions to UIF, Medical and Pension Funds	156 315	144 931
Travel and subsistence	37 749	14 332
Skills development levy	10 436	9 725
	1 336 184	**1 225 923**

Executive Director: Community Services

Annual Remuneration	754 188	712 662
Allowances	513 078	463 700
Contributions to UIF, Medical and Pension Funds	33 839	29 919
Travel and subsistence	37 118	4 510
Skills development levy	12 808	11 804
Cashed leave days	18 861	-
	1 369 892	**1 222 595**

33. Remuneration of councillors

Executive Major	484 901	456 137
Members of Mayoral Committee	4 273 965	3 939 535
Speaker	384 909	357 663
Councillors	10 301 764	9 709 820
Councillors' pension contribution	2 379 182	2 293 500
	17 824 721	**16 756 655**

In-kind benefits

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

The Executive Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard and a driver.

The Speaker has the use of a Council owned vehicle for official duties.

Excecutive Mayor - Cllr J Mareka (Appointed 03 June 2014)

Basic Salary	498 288	471 515
Car Allowance	196 770	186 507
Social Contributions	123 789	102 859
Cellphone Allowance	20 868	20 868
	839 715	**781 749**

Figures in Rand	2016	2015

33. Remuneration of councillors (continued)

Speaker - Cllr ACWD Nakedi		
Basic Salary	395 613	374 206
Car Allowance	157 412	149 206
Social Contributions	205 175	94 203
Cellphone Allowance	20 868	20 868
	779 068	**638 483**

Members of Mayoral Committee (MMC)

MMC - COMMUNITY SERVICES: Cllr S Mokoena		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	99 658	68 602
Cellphone Allowance	24 468	24 468
	641 650	**582 832**
MMC - TECHNICAL SERVICES: Cllr MP Thipane		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	105 752	91 542
Cellphone Allowance	24 468	24 468
	647 744	**605 772**
MMC - IDP AND PLANNING: Cllr DA Tau		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	119 658	94 756
Cellphone Allowance	24 468	24 468
	661 650	**608 986**
MMC - PUBLIC SAFETY: Cllr ER Moletsane		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	151 202	98 055
Cellphone Allowance	24 468	24 468
	693 194	**612 285**
MMC - PERSONNEL AND ADMINISTRATION: Cllr TM Mkhwanazi		
Basic Salary	369 950	334 388
Car Allowance	147 574	142 740
Social Contributions	93 708	80 180
Cellphone Allowance	24 468	24 468
	635 700	**581 776**
MMC - RURAL DEVELOPMENT AND LAND REFORM: Cllr Dire / Cllr MLM Machobane,Cllr MLM Machobane passed away in Dec 2015 and this vacancy was filled by Cllr Dire.		
Basic Salary	333 418	349 880
Car Allowance	133 090	139 882
Social Contributions	79 235	74 787
Cellphone Allowance	22 429	24 468
	568 172	**589 017**

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

33. Remuneration of councillors (continued)

MMC - HUMAN SETTLEMENT: Cllr SB Tladi / Cllr ME Mokotla , Cllr Mokotla passed away in March 2015 and this vacancy was filled by Cllr Tladi.

Basic Salary	369 950	246 918
Car Allowance	147 574	92 942
Social Contributions	136 492	57 858
Cellphone Allowance	24 468	17 233
	678 484	**414 951**

MMC - SPORT, ARTS, CULTURE & RECREATION: Cllr ZS Magadlela

Basic Salary	369 950	351 668
Car Allowance	147 574	139 882
Social Contributions	98 431	66 038
Cellphone Allowance	24 468	24 468
	640 423	**582 056**

MMC - COUNCIL WHIP: Cllr MA Koloi

Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	181 748	153 808
Cellphone Allowance	24 468	24 468
	723 740	**668 038**

MMC - LOCAL ECONOMIC DEVELOPMENT & INVESTMENT: Cllr TL Makau

Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	80 331	77 766
Cellphone Allowance	24 468	24 468
	622 323	**591 996**

MMC - FINANCE, AUDIT AND RISK MANAGEMENT: Cllr D Colbert

Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	95 972	85 175
Cellphone Allowance	24 468	24 468
	637 964	**599 405**

Figures in Rand	2016	2015

33. Remuneration of councillors (continued)

PART TIME COUNCILLORS		
Cllrs' A Masuret, AH Viljoen, JM Hattingh, MA Monoto, MJ Mofokeng, MD Mbono, FM Taje, DM Shahim, GV Wille, NW Mkhotheni, EM Notsi, MM Green, LD Kgang, MJ Sethabela, B Rooskrans, NM Selikoe, ME Letsitsa, DA Moeketsi, LM Seleke, MI Thajane, WL Makoele, CM Dalton, MJ Lithupa, DN Nzunga,J Geldenhuis, SV Khiba, TJ Leokaoke, DM Malinga, PJ Phooko, VPM Twapa, M Vermeulen, TM Ntsala, Chakane MS, Mokodutlo NP, Mofokeng RD, Van Schalkwyk L.		
Basic Salary	4 835 888	5 190 396
Car allowance	3 768 479	2 311 016
Social Contribution	1 702 664	1 704 593
Allowance	2 553 132	1 071 362
	12 860 163	**10 277 367**

MPAC CHAIRPERSON: Cllr NP Mokodutlo		
Basic Salary	344 284	374 385
Car allowance	137 734	130 555
Social Contribution	98 817	33 560
Cellphone Allowance	24 468	24 468
	605 303	**562 968**

34. Debt impairment

Debt impairment	64 805 535	23 422 009
Fines - impairment	1 877 963	2 546 331
	66 683 498	**25 968 340**

35. Depreciation and amortisation

Property, plant and equipment	108 916 180	103 626 158
Intangible assets	232 728	186 062
	109 148 908	**103 812 220**

36. Impairment loss on assets

New 100Kva 3 Phase Transformer	-	43 261
Marabastad Electrification project - DoE Funding	-	5 874 625
Buildings	1 332 184	-
	1 332 184	**5 917 886**

2015/2016
During the year, four municipal buildings were impaired. One of the four buildings was destroyed by a fire at the Kroonstad landfill site while the other three were impaired due to poor condition.

2014/2015
A new 100kva3 Phase Transformer was installed. Removed due to lightning damage and could not be repaired. The transformer was impaired at a carrying value of R43 261.

Marabastad Electrification project funded by the Department of Energy was impaired due to theft of all the asset components of the project. The theft was reported to the SAPS case number 302 - 08 - 2014. The assets for the electrification were impaired at a carrying value of R5 874 625.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

37. Finance costs

Interest on landfill sites and quarries	282 782	250 533
Interest on late payment of creditors	1 586 766	312 549
Interest paid - SARS	1 272	5 099
Interest on annuity loans	2 229 430	2 293 347
Interest on employee benefits	4 462 000	4 282 000
	8 562 250	**7 143 528**

38. Contracted services

Specialist services	25 328 381	17 178 842
Other contractors	2 102 619	1 828 586
	27 431 000	**19 007 428**

39. Repairs and maintenance

Repairs and maintenance consists of:		
Buildings	2 371 774	2 303 454
Furniture and Office equipment	514 029	928 167
Plant and Machinery	1 979 787	1 990 134
Network maintenance	34 217 890	19 022 116
Street and storm water drainage	7 519 201	3 823 510
Tools	193 243	164 667
Vehicles	12 093 754	7 771 360
	58 889 678	**36 003 408**

40. Grants and subsidies paid

Other subsidies		
Grant Expenditure - LG SETA	380 720	760 359
FMG Grant Expenditure	1 607 106	1 480 431
MSIG Grant Expenditure	669 516	707 661
EPWP Grant	689 377	-
	3 346 719	**2 948 451**

41. Bulk purchases

Electricity	208 317 063	182 639 344
Water	3 636 022	3 526 474
	211 953 085	**186 165 818**

42. Gains / (loss) on disposal of assets

Property, plant and equipment	(886 939)	(24 823)
Investment property	(1 200 000)	-
Intangible assets	(141 992)	-
	(2 228 931)	**(24 823)**

Figures in Rand	2016	2015

42. Gains / (loss) on disposal of assets (continued)

Investment property	(1 200 000)	-
IT Equipment	(66 298)	(14 132)
Office Equipment	(179 258)	(800)
Plant and Machinery	(89 526)	(5 627)
Vehicles	(2 525)	(4 264)
Furniture and fixtures	(67 712)	-
Infrastructure	(481 034)	-
Finance leased assets	(586)	-
Intangible assets	(141 992)	-
	(2 228 931)	**(24 823)**

43. General expenses

Advertising	286 366	567 260
Assets expensed	5 227	-
Auditors remuneration	8 125 496	6 773 798
Bank charges	2 101 335	2 223 119
Chemicals	4 342 392	4 475 153
Cleaning	392 324	335 425
Commission paid	4 232 436	4 027 028
Committee expenses	1 679 381	2 083 324
Travel and subsistence	1 994 579	1 894 875
Consulting and professional fees	8 906 575	6 050 860
Consumables	255 662	160 115
Entertainment	422 094	901 243
Penalties - SARS	23 959	30 538
Fuel and oil	5 493 384	6 268 102
Funeral expenses	307 711	163 530
Lease rentals on operating lease	9 881 276	6 335 121
Performance management	171 780	-
Insurance	3 060 409	3 730 673
Licences - other	1 325 636	1 576 586
Licences - vehicles	354 222	395 109
Magazines, books and periodicals	8 906	-
Medical expenses	335 122	6 215
Other expenses	1 195 557	525 782
Departmental charges	16 570 267	18 087 986
Postage and courier	1 529 118	1 455 725
Pre-paid meters	1 708 566	555 083
Printing and stationery	2 141 181	2 251 478
Provision for rehabilitation adjustment	796 718	-
Protective clothing	1 633 498	1 074 530
Special programs	1 063 384	492 975
Subscriptions and membership fees	2 334 245	1 128 386
Telephone and fax	2 332 778	2 090 762
Traffic signs	139 010	208 465
Training	142 942	118 821
Valuation roll	158 002	158 377
Workmen's compensation	1 588 604	236 691
	87 040 142	**76 383 135**

44. Auditors' remuneration

Fees	8 125 496	6 773 798

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

45. Fair value adjustments

Investment property (Fair value model)	5 197 620	3 033 484
Investment in shares	276	11 745
	5 197 896	**3 045 229**

46. Cash generated from operations

Surplus / (deficit)	(83 901 995)	12 720 336
Adjustments for:		
Depreciation and amortisation	109 148 908	103 812 220
Loss on disposal of property, plant and equipment	2 228 931	24 823
Retirement benefits - acturial gains	(5 243 759)	(1 655 629)
Fair value adjustments	(5 197 896)	(3 045 229)
Inventory write up	(1 714 657)	-
Impairment loss	1 332 184	5 917 886
Debt impairment	66 683 498	25 968 340
Movements in retirement benefit assets and liabilities	3 478 759	5 305 629
Movements in provisions	2 033 502	(2 061 074)
Prior period adjustments	-	(684 170)
Changes in working capital:		
Inventories	(963 072)	(6 576 449)
(increase) / decrease in receivables from exchange transactions	(65 177 389)	(56 549 234)
Other receivables from non-exchange transactions	(861 875)	(6 594 092)
Payables from exchange transactions	59 643 755	702 047
VAT	8 510 455	16 763 514
Unspent conditional grants and receipts	(354 147)	(7 286 546)
Consumer deposits	573 455	2 931 747
	90 218 657	**89 694 119**

47. Contingencies

Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities		
Claims by individuals due to damage of property in various incidents	12 353 757	2 793 901
Claims from suppliers - contractual disputes	6 461 462	4 144 461
Leave accrual	7 595 988	5 148 824
	26 411 207	**12 087 186**

Contingent assets

The contingent asset is as a result of employees who exceeded their leave days as at 30 June 2016. This is as a result of the variance in the leave cycles of the respective employees.

Contingent assets		
Leave accrual	-	3 758

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

48. Related parties

The municipality did not enter into any related party transactions during the year under review, which were not at arm's length.

Key management information

Class	Number
Executive Mayor	1
Councillors	49
Municipal Manager	1
Section 57 managers	3

49. Change in estimate

Unspent conditional grants

A portion of the government grant was repaid, as conditions relating to its use had not been met as required. The cumulative adjustment to the unspent conditional grant (deferred income amortised) has been recognised in the current year.

The repayment of these grants resulted in adjustments as follows:

	2016	2015
Department of energy grant (DOE)		
Before repayment	-	3 987 898
After repayment	-	(443 898)
	-	3 544 000

50. Prior period errors

A number of prior period errors were corrected during the year ending 30 June 2016. The details of the retrospective prior errors adjusted are reflected below.

50. Prior period errors (continued)

Summary

Finance cost, Bulk purchases - The interest on late payments to Eskom were incorrectly included under bulk purchases. The corrections was made accordingly and the finance cost increased with R2,594. The bulk purchases and VAT decrease by R2,239 and R354 respectively.

Rental of facilities, Payables - Cheque 136959 for an amount of R605 to repay the rent deposit to the new salvation church was cancelled. The corrections was made and the rental of facilities and equipment increased and the payables decreased with R605.

General expenditure, Payables - Cheque 136907 for an amount of R1,442 for traffic signs from the interior shop were cancelled. The corrections was made and the general expenditure and the payables decreased with R1,442.

PPE, General expenditure - A payment of R1,689,944 for the refurbishment of Kroonstad water project was incorrectly expensed. The correction was done accordingly resulting in the increase of WIP and the decrease of general expenses amounting to R1,689,944.

Receivables from non-exchange transactions, Debt impairment - The fines was recalculated as per GRAP 23 and it was identified that the debt impairment was overstated with R35,647. The correction was done accordingly resulting in the increase of Receivables from non-exchange transactions and the decrease of debt impairment amounting to R35,647.

VAT payable, Accumulated surplus - A comprehensive review of the input tax deductions and output tax declarations reflected a total savings of R2,383,046 on output VAT that was incorrectly declared on the indigent subsidies. The correction was done accordingly resulting in the increase of accumulated surplus and the decrease of VAT payable amounting to R2,383,046.

Finance Lease, General expenditure - A recalculation was done and it was identified that the finance leases were undestated with R32,073. The correction was done accordingly resulting in the increase finance lease short term R667and long term R31,406 and the increase of general expenditure amounting to R32,073.

Inventories, Accumulated Surplus - A vacant site with a value of R672,700 were incorrectly classified as inventory. A correction was done accordingly resulting in the decrease in inventories and decrease in accumulated surplus amounting to R672,700.

Payables from exchange transactions, General expenditure, Repairs and maintenance - Duplicated accruals to the value of R2,435,138 were identified. A correction was done accordingly resulting in the decrease of payables to the amount of R2,435,138, a decrease of R273,936 in repairs and maintence and a decrease of R2,161,202 in general expenditure.

Payables from exchange transactions, General expenditure - An invoice to the amount of R5,700 was not part of the accruals. A correction was done accordingly resulting in the increase of payables and the increase of general expenditure amounting R5,700.

Unspent conditional grants, Accumulated surplus - Expenditure relating to the urban development grant for the 2009/2010 financial year was not recgonised as revenue, as these expenses were recorded in various vote numbers. A correction was done accordingly resulting in the decrease of unspent conditional grants of R1,147,622 and the increase in accumulated surplus amounting to R1,147,622.

VAT payable, Accumulated surplus - This correction relates to the 2013/2014 VAT, which was erroneously duplicated. The duplication was corrected resulting in the increase of accumulated surplus and the increase in VAT payable amounting to R386 716.

PPE, Payables from exchange transactions - Retention to the amount of R494,225 was not recorded in the prior year. A correction was done resulting in the increase in PPE and the increase in Payables from exchange transactions amounting to R494,225.

Intangible assets, Accumulated surplus, Depreciation and amortisation - The useful lifes of intangible assets were adjusted. A correction was done resulting in the increase in depreciation and amortisation to the amount of R41,608, increase in intangible assets to the amount of R313,023 and increase of of accumulated surplus R354,631.

50. Prior period errors (continued)

Investment Property, Fair value ,Accumulated surplus - The amount as per prior year financial statements did not agree with the investment property register and a retrospective correction was performed, decreasing the investment property with R7,610,393, the opening surplus amounting to R6,938,4777 and the fair value adjustments amounting to R671,916.

Property, plant and equipment, Accumulated surplus - The amount as per prior year financial statements did not agree with the property, plant and equipment register and a retrospective correction was performed, decreasing the property, plant and equipment against the opening surplus amounting to (R8,929,194).

Payables from exchange transactions, Accumulated surplus - The amount as per prior year financial statements did not agree with the retentions a retrospective correction was performed, increasing the payables from exchange transactions against the opening surplus amounting to (R5,020).

Property, plant and equipment, Accumulated surplus - The useful lives of the moveable assets were reassed. A restrospective correction was performed, increasing the property, plant and equipment with R44,340,541, decreasing the depreciation and armortisation with (R1,587,663) against the opening surplus amounting to (R42,752,878).

Property, plant and equipment, Accumulated surplus - Work in progress corrections were made resulting in the decrease of property, plant and equipment amounting to (R12,425,271), increase in depreciation and armortisation R630,688 against the opening surplus amounting to R11,794,583.

Receivables from non-exchange transactions, Accumulated surplus - Salary expenditure relating to the 2012 & 2013 financial year were writen off against the receivables from non-exchange transactions amounting to (R473,246), payables from exchange transactions amounting to (R1,151,010) and against the opening surplus amounting to R1,624,256.

Property, plant and equipment, Accumulated surplus - The amount as per prior year financial statements did not agree with the finance leased asset registers. A restrospective correction was performed, decreasing the property, plant and equipment with (R11,730), the opening surplus amounting to R180 and increased the depreciation and amortisation amounting to R11,550.

Receivables from non-exchange transactions, Accumulated surplus - A receivable was created for fruitless and wasteful expenditure to be recovered against opening surplus amounting to R1,452,287 as per Council resolution.

PPE, Accumulated Surplus, Depreciation and armortisation - The methodology used to calculate the remaining useful life of the moveable assets was corrected as well as the CRC of 47 assets. This correction resulted in an increase in the accumulated surplus to the amount of R19,222,020, a decrease in the property plant and equipment to the amount of (R21,973,552) and an increase in the depreciation and amortisation amounting to R2,751,532.

Investment Property, Accumulated Surplus - Properties physically transferred to residents were not disposed of in the investment register. A correcction was done that resulted in an increase in the accumulated surplus to the amount of R30,224,000 and an decrease in investment property amounting to (R30,224,00).

Receivables from non-exchange transactions, Debt impairment - The fines impairment was recalculated and it was identified that the debt impairment was understated. The correction was done accordingly resulting in the decrease of Receivables from non-exchange transactions and the increase of debt impairment amounting to R1,243,201.

PPE, Accumulated Surplus, Depreciation and armortisation - Assets that were not moved from the staging list to the final asset register. This correction resulted in an decrease in the accumulated surplus to the amount of R2,874,201, a increase in the property plant and equipment to the amount of R2,753,942 and an increase in the depreciation and amortisation amounting to R120,591.

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

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
50. Prior period errors (continued)		
Statement of financial position		
Inventories	-	(672 700)
Receivables from non-exchange transactions	-	(241 622)
Investment property	-	(37 834 393)
PPE	-	5 939 907
Intangible assets	-	313 023
Finance lease obligation (Short term)	-	(667)
Payables from exchange transactions	-	782 266
Unspent conditional grants and receipts	-	1 147 622
VAT payable	-	2 769 408
Finance lease obligation (Long term)	-	(31 406)
Accumulated Surplus	-	28 078 736
Statement of Financial Performance		
Rental of facilities and equipment	-	(605)
Debt impairment	-	1 207 554
Depreciation and armortisation	-	1 946 253
Finance cost	-	2 594
Bulk purchases	-	(2 239)
Repairs and maintenance	-	(273 936)
General expenditure	-	(3 801 707)
Fair value adjustments	-	671 916

51. Comparative figures

Certain comparative figures have been reclassified.

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

51. Comparative figures (continued)

Other income, Employee cost - Income from funeral assistance to the amount of (R4,318) were incorrectly mapped against employee cost. A correction was done and this resulted in an decrease in employee cost and a increase in other income.

Other income, General expenditure - Income from provision of rehabiltaion for landfill sites and quarries were incorrectly classified as general expenditure. A correction was done and that resulted in an increase in other income (R775,609) and a increase in general expenditure to the amount of R775,609.

Other income, Repairs & Maintenance, General expenditure - Department charges to the amount of R18,087,732 and revenue from charge out to the amount of (R192,814) incorrectly classified as general repairs and maintenance. A correction was done and that resulted in an increase in other income to the amount of (R192,814), a increase in general expenditure to the amount of R18,087,732 and a decrease in repairs and maintenance to the amount of R17,894,920.

Other income, Service charges - Income foregone to the amount of R47,388 was incorrectly classifed under other income. A correction was done that resulted in an increase in other income to the amount of (R47,388) and a decrease in service charges to the amount of R47,388.

Receivables from non-exchange transactions, Payables from exchange transactions - Payables were incorrectly classified to receivables from non-exchange transactions. A correction was done that resulted in an increase payables from exchange transactions and receivables from non-exchange transactions to the amount of R291.

Other income, Donated assets - A asset to the amount of R2,499 was incorrectly classifed under other income. A correction was done that resulted in an decrease in other income to the amount of R2,499 and a increase in donated assets to the amount of (2,499).

Receivables from non-exchange transactions, Receivables from exchange transactions, Long term debtors - Long term debtors were incorrectly classified to receivables from non-exchange transactions and receivables from exchange transactions. A correction was done that resulted in an increase in long term debtors R7,854,766, decrease in receivables from non-exchange transaction R635,562 and a decrease receivables from exchange transactions to the amount of R7,218,911.

The effects of the reclassification are as follows:

	2016	2015
Statement of financial position		
Receivables from non-exchange transactions	-	(635 562)
Payables from exchange transactions	-	(293)
Long term debtors	-	7 854 766
Receivables from exchange transactions	-	(7 218 911)
	-	-

	2016	2015
Statement of Financial Performance		
Service charges	-	34 956
Donated assets	-	(2 499)
Other income	-	(1 005 198)
Employee related costs	-	4 318
Repairs an maintenance	-	(17 894 920)
General expenditure	-	18 863 341

Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015

52. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 16,17, 18, 19, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

Total Borrowings	Notes	2016	2015
Finance lease obligation	14	1 325 205	175 172
Long-term loans	15	23 627 900	24 793 551
Payables from exchange transactions	16	167 481 716	109 552 631
	-	192 434 821	134 521 354
Less: Cash and cash equivalents	3	(11 845 788)	(30 560 306)
Net debt	-	**180 589 033**	**103 961 048**

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk.

52. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	646 563	678 642	-	1 325 205
Trade and other payables from exchange transactions	167 481 716	-	-	167 481 716
Consumer deposit	12 720 145	-	-	12 720 145
	180 848 424	**678 642**	**-**	**181 527 066**

At 30 June 2015	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	140 272	34 900	-	175 172
Other financial liabilities	1 142 474	23 651 077	-	24 793 551
Trade and other payables from exchange transactions	109 552 631	-	-	109 552 631
Consumer deposit	12 146 690	-	-	12 146 690
	122 982 067	**23 685 977**	**-**	**146 668 044**

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2016 and 2015, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2016, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R - lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA primary bank account;
- ABSA fixed deposits;
- ABSA notice deposit;
- Finance lease obligations; and
- Various annuity loans;

The following financial instruments at year-end carried a variable interest rate;
- ABSA primary bank account;
- Finance lease obligations;

The following financial instruments at year-end carried a fixed interest rate;
- ABSA fixed deposits;
- ABSA notice deposit;
- Various annuity loans;

52. Risk management (continued)

The municipality's consumer receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as electricity, water, sanitation, refuse and rates levied. Consumer receivables constitute approximately 86% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored.

The municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties,the municipality does implement the debt and credit control policy in order to recover the outstanding debt. Where debt is irrecoverable it has been written-off accordingly. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Cash and Cash Equivalents
Moqhaka local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Investments
It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

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

Credit risk

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

Financial instrument	2016	2015
ABSA Bank	5 481 718	15 404 366
ABSA BANK Short-term deposit	6 348 590	15 142 020
Receivables from exchange transactions	94 256 264	94 408 325
Other receivables from non-exchange transactions	19 460 690	19 952 863

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

53. Going concern

We draw attention tto the fact that a 30 June 2016, the municipality had accumulated surplus of R 2 235 292 210 and that the municipality's total assets exceed its liabilities by R 2 235 292 210.

The audited 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.

Despite the uncertainties which cast doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2016, as there are no current indications that government funding will be withheld from the municipality for any reason.

54. Events after the reporting date

There were no subsequent events after the reporting date that had an impact on the financial results as disclosed for the year ended 30 June 2016.

Figures in Rand	2016	2015

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	34 147	(1 794 393)
Current year subscription / fee	1 995 646	2 137 330
Amount received / (paid) - current year	(2 216 810)	(308 790)
	(187 017)	**34 147**

Material losses through criminal conduct

There were no material losses incurred due to criminal conduct identified during the year by the municipality.

Audit fees

Opening balance	21 783	40 120
Current year fee	4 556 146	7 688 757
Interest charged	9 071	80 337
Amount paid - current year	(3 959 312)	(7 747 311)
Amount paid - previous years	(21 783)	(40 120)
	605 905	**21 783**

PAYE and UIF

Opening balance	-	1 528 214
Current payroll deductions	22 934 133	19 543 300
Amount paid - current year	(21 006 423)	(21 071 514)
	1 927 710	**-**

Pension and Medical Aid Deductions

Opening balance	-	10 532 260
Current payroll deductions and council contribution	52 997 632	43 391 784
Amount paid - current year	(48 287 404)	(53 924 044)
	4 710 228	**-**

Skills Development Levy

Opening balance	-	110 739
Current payroll deductions and council contribution	1 704 841	1 415 182
Amount paid - current year	(1 560 325)	(1 525 921)
	144 516	**-**

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated line losses	12 098 627	10 783 039
Losses due to tampering or theft	43 739 409	28 355 141
	55 838 036	**39 138 180**

Estimated water losses suffered by the municipality for the year under review is are follows:

Estimated water losses	15 137 855	16 488 431

Councillors' arrear consumer accounts

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

The following councillors had arrear accounts outstanding for more than 90 days at:

	Outstanding more than 90 days R	Outstanding more than 90 days R
Dire MP	1 109	1 403
Tau DA	960	792
Monoto MA	-	879
Twapa VPM	39 711	48 275
Makau TL	134	1 295
Mareka J	377	-
Green MM	444	377
Kgang LD	-	2 890
Magadlela ZS	1 318	2 733
Leokaoke TJ	1 391	-
Ranthama MA	7 373	-
Mokodutlo W	895	-
Phooko PJ	72 604	58 864
	126 316	**117 508**

56. Irregular expenditure

Opening balance	367 796 283	332 122 457
Add: Irregular Expenditure - current year	2 955 763	35 673 826
Add: Audit Adjustments	26 757 930	-
Less: Amounts written off by Council	-	-
	397 509 976	**367 796 283**

Analysis of expenditure awaiting write off per age classification

Current year	29 713 693	35 673 826
Prior years	367 796 283	332 122 457
	397 509 976	**367 796 283**

57. Fruitless and wasteful expenditure

Opening balance	11 447 967	33 605 344
Add: Fruitless and wasteful expenditure - current year	1 626 865	401 350
Add: Audit adjustments	33 086	-
Less: Amounts to be recovered (not written off)	-	(1 452 287)
Less: Amounts written off by Council	(401 350)	(21 106 440)
	-	-
	12 706 568	**11 447 967**

Figures in Rand	2016	2015

57. Fruitless and wasteful expenditure (continued)

Interest on loan amounts as a result of exceeding of payment terms - DBSA	10 980	50 851
Interest on outstanding payments towards SALA pension fund	-	4 907
Interest and penalties SARS	25 231	35 637
Interest on arrear payments to creditors	1 590 654	309 955
Overpayment of employee benefits	33 086	-
Fruitless and wasteful for previous years	11 447 967	33 605 344
Less amounts to be recovered (not written off)	-	(1 452 287)
Fruitless and wasteful written off by Council	(401 350)	(21 106 440)
	12 706 568	**11 447 967**

The tourism extravaganza expenditure is still under investigation.

Interest on loan amounts as a result of exceeding payment terms		
Opening balance	50 851	181 801
Fruitless and wasteful current year	10 980	50 851
Written off by council	(50 851)	(181 801)
	10 980	**50 851**

Interest on outstanding payments to pension fund		
Opening balance	4 907	4 577
Fruitless and wasteful current year	-	4 907
Fruitless and wasteful written off by council	(4 907)	(4 577)
	-	**4 907**

Interest on arrears payments to creditors		
Opening balance	309 955	865 894
Fruitless and wasteful current year	1 590 654	309 955
Written off by council	(309 955)	(865 894)
	1 590 654	**309 955**

Overpayment of professional fees		
Opening balance	-	1 452 287
Fruitless and wasteful current year	-	-
Less amount to be recovered (not written off)	-	(1 452 287)
	-	**-**

Legal fees paid for contractual breach		
Opening balance	-	324 533
Fruitless and wasteful current year	-	-
Written off by council	-	(324 533)
	-	**-**

Payments for services not provided		
Opening balance	-	399 000
Fruitless and wasteful current year	-	-
Written off by council	-	(399 000)
	-	**-**

Figures in Rand	2016	2015

57. Fruitless and wasteful expenditure (continued)

Interest and penalties on late payments / SARS		
Opening balance	35 637	369 499
Fruitless and wasteful current year	25 231	35 637
Written off by Council	(35 637)	(369 499)
	25 231	**35 637**

Overpayment of employee benefits		
Audit adjustments	33 086	-

58. Unauthorised expenditure

Opening balance	142 927 870	389 815 893
Unauthorised expenditure - current year	146 012 111	133 829 889
Audit Adjustments	44 563 049	-
Correction of cumulative balance	-	162 838 477
Written off by Council	(132 925 414)	(543 556 389)
	200 577 616	**142 927 870**

The above unauthorised expenditure relates to Council votes that were overspent.

59. Deviation from supply chain management regulations

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

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

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	Number of Deviations	Deviation 2016
Emergency	22	3 015 223
Sole Supplier	61	3 957 350
Urgent	124	21 483 451
	207	**28 456 024**

Description	Number of Deviations	Deviation 2015
Emergency	48	6 702 459
Sole Supplier	86	2 267 634
Impractical	1	20 000
Urgent	257	11 615 004
Poor Planning	2	500 100
	394	**21 105 197**

Figures in Rand	2016	2015

60. Commitments

Capital commitments

Approved and contracted for:		
• Infrastructure	56 503 789	87 699 601
Approved and not contracted for:		
• Infrastructure	42 584 387	37 540 920
Total capital commitments		
Approved and contracted for	56 503 789	87 699 601
Approved and not contracted for	42 584 387	37 540 920
	99 088 176	**125 240 521**

Other commitments

Approved and contracted for:		
• General expenditure	9 570 091	16 890 917
Total operational commitments		
Approved and contracted for	9 570 091	16 890 917

Total commitments

Total commitments		
Authorised capital expenditure	99 088 176	125 240 521
Authorised operational expenditure	9 570 091	16 890 917
	108 658 267	**142 131 438**

Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments aprroved and contracted for will be finaced from the municipality's own funding.

61. Actuarial Gains/(Losses) on Employees benefits

Actuarial Gains / (Losses)	5 243 759	1 655 629

The above balance is made up as follows;		
Long Service Awards - Actuarial gains/(losses)	(35 421)	867 000
Post retirement medical benefit - Actuarial gains/(losses)	5 279 000	788 629
	5 243 579	**1 655 629**

62. Non-Compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Municipal Finance Management Act section 116(2)(b), (c)
The performance of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 65 (e)
Creditors were not paid in 30 days as required by the Act.

Municipal Finance Management Act section 52(d), section 129
The monthly budget statements were submitted, but not in accordance with the prescribed timeframes.

The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

63. Budget differences

Material differences between budget and actual amounts

Refer to page 11 in the annual financial statements for an analysis of budget versus the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 12 in the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 12 in the annual financial statements

MOQHAKA LOCAL MUNICIPALITY

APPENDIX A (Unaudited)

SCHEDULE OF EXTERNAL LOANS

FOR THE YEAR ENDED 30 JUNE 2016

	SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016							
EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 June 2015	Received / Accumulated during the year	Redeemed written off during the year	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
Development Bank of SA @ 9.00%	61007042	31-Jul-27	24,793,551	2,160,640	(3,326,291)	23,627,900	256,583,273	-
TOTAL EXTERNAL LOANS			24,793,551	2,160,640	(3,326,291)	23,627,900	256,583,273	-

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B (Unaudited)

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Cost/Revaluation						Accumulated Depreciation					
	Opening balance	Additions	Disposals	Revaluations	Transfers	Closing balance	Opening balance	Depreciation	Impairment	Disposals	Closing balance	Carrying Value
Total property plant and equipment												
Land	60,263,467.87	-	-			60,263,467.87	-	-	-	-	-	60,263,468
Buildings	50,720,691	172,574	-	-	-	50,893,264.54	(15,216,207)	(1,022,137)	-	-	(16,238,344)	34,654,920
Plant and machinery	6,236,005	1,545,323	(883,389)	-	-	6,897,938.85	(3,249,619)	(821,738)	-	793,865	(3,277,492)	3,620,447
Furniture and fixtures	4,981,405	358,155	(376,110)	-	-	4,963,449.87	(2,596,288)	(343,883)	-	308,398	(2,631,773)	2,331,677
Motor vehicles	48,526,277	8,048,523	(25,225)	-	-	56,549,575.00	(25,085,703)	(4,071,714)	-	22,702	(29,134,715)	27,414,860
Office equipment	13,205,210	63,420	(2,108,383)	-	-	11,160,247.28	(7,641,042)	(1,067,014)	-	1,929,128	(6,778,928)	4,381,319
IT equipment	8,809,877	685,843	(662,956)	-	-	8,832,763.78	(3,869,801)	(1,074,446)		596,659	(4,347,588)	4,485,176
Finance leased assets	295,042	1,892,073	(40,382)	-	-	2,146,732.53	(109,128)	(733,331)		39,796	(802,663)	1,344,070
Infrastructure	3,825,493,492	1,402,056	(1,154,740)	-	56,854,385	3,882,595,193.00	(1,874,642,535)	(94,358,197)	(1,332,184)	673,704	(1,969,659,212)	1,912,935,981
Community assets	159,483,397	-	-	-	9,673,263	169,156,660.44	(76,512,052)	(5,423,720)	-	-	(81,935,772)	87,220,888
Capital work in progress	70,568,182	92,408,661	-	-	(66,700,222)	96,276,621.01	-	-	-	-	-	96,276,621
						-					-	-
Heritage assets	2,163,451	-	-	-	-	2,163,451.00	-	-	-	-	-	2,163,451
						-					-	-
Intangible assets						-					-	-
Computer software	4,271,118	2,513,505	(1,555,181)	-	-	5,229,441.81	(3,168,122)	(232,728)	-	1,413,189	(1,987,661)	3,241,781
						-					-	-
Investment properties						-					-	-
Investment properties	154,157,178	-	(1,200,000)	5,197,619.00	-	158,154,797.00	-	-	-	-	-	158,154,797
						-						
TOTAL	4,412,743,433	109,090,132	(8,006,367)	5,197,619	(172,574)	4,515,283,604	(2,012,090,497)	(109,148,908)	(1,332,184)	5,777,441	(2,116,794,148)	2,398,489,456

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C (Unaudited)

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2016

	COST							Accumulated Depreciation					Carrying Value
	Opening balance	Additions	Transfer In	Revaluation	Additions Under Construction	Disposals	Closing balance	Opening balance	Depreciation	Transfer In	Impairment	Closing balance	
Community Assets	159,483,397	9,673,263	-	-	-	-	169,156,661	76,512,052	5,423,720	-	-	81,935,772	87,220,889
Roads	1,293,226,834	16,792,972	-	-	-	-	1,310,019,806	641,138,868	29,761,238	-	-	670,900,106	639,119,700
Sewer	442,348,989	34,518,851	-	-	-	-	476,867,840	190,318,689	9,857,526	-	-	200,176,214	276,691,625
Storm Water	218,609,358	-	-	-	-	-	218,609,358	118,178,222	4,383,707	-	-	122,561,928	96,047,430
Water	593,921,318	753,472	-	-	-	-	594,674,790	272,217,343	13,784,005	-	-	286,001,348	308,673,441
Electricity	1,178,354,792	6,191,155	-	-	-	1,154,740	1,183,391,207	608,964,187	34,541,938	673,704	-	644,179,829	539,211,378
Other (Supply / Reticulation)	99,032,192	-	-	-	-	-	99,032,192	43,811,440	2,028,343	-	-	45,839,783	53,192,409
							-						
TOTAL	3,984,976,879	67,929,713			-	1,154,740	4,051,751,853	1,951,140,800	99,780,476		-	2,051,594,981	2,000,156,872

MOQHAKA LOCAL MUNICIPALITY

APPENDIX D (Unaudited)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
	2015				2016	
R	R	R		R	R	R
224 097 728	194 373 565	29 724 163	Executive & Council	243,081,815	240 082 110	2 999 705
65 313 492	28 072 512	37 240 980	Municipal Manager	-	8 109 882	(8 109 882)
3 898 237	34 171 616	(30 273 379)	Corporate Services	5,094,512	35 055 328	(29 960 816)
26 351 249	100 242 015	(73 890 766)	Financial Services	75,244,512	29 541 431	45 703 081
348 973 690	299 054 352	49 919 338	Technical Services	382 185 688	373 478 092	8 707 595
			Community Services	35,586,488	138 828 166	(103 241 679)
668 634 396	**655 914 060**	**12 720 336**	**Total**	**741 193 015**	**825 095 010**	**(83 901 995)**

MOQHAKA LOCAL MUNICIPALITY

APPENDIX E (1) (Audited)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2016

	Current Year 2016 Actual	Current Year 2016 Budget	Current Year 2016 Variance	Current Year 2016 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	48 467 154	62,147,000	(13,679,846)	-22.01%	The property rates revenue has declined as a result of the discounts/rebates (Income Foregone) offered by the municipality.
Service charges	356,697,208	441 176 000	(84,478,792)	-19.15%	The service charges (Water) declined as a result severe water drought that the municipality experience towards on the forth Quarter of its financial year.
Donated assets	271,360	-	271,360	0.00%	
Rental of facilities and equipment	5 998 754	8,452,000	(2,453,246)	-29.03%	The budget rental on facilities declined due to the current facilities conditions which have deteriorated.
Fines	2 634 920	967,000	1,667,920	172.48%	The significant increase in the Fines revenue is mainly attributable to the
Government grants and subsidies	265,079,643	164 291 000	100,788,643	61.35%	The increase in the grants during the 2015/16 financial year is mainly as a result fo the RBIG funding from Department of Water and Sanitation (DWS).
Fees Earned	1 179 594	-	1 179 594	0.00%	
Discount Received	90 025	-	90 025	0.00%	
Other Income	9 988 553	12,063,000	(2 074 447)	-17.20%	
Interest received	17 724 177	15,951,000	1 773 177	11.12%	The additional interest was as a result of municipality's cash flow management processes that were given much priority during the financial year.
Dividends received	11 831	-	11 831	0.00%	
Total Revenue	**708 143 219**	**705 047 000**	**3 096 219**	**0.44%**	
EXPENDITURE					
Employee related costs	(209 760 410)	(198,576,000)	(11 184 410)	5.63%	
Remuneration of Councillors	(17 824 721)	(16,596,000)	(1 228 721)	7.40%	
Depreciation & Amortisation	(109 148 908)	(21,190,000)	(87 958 908)	415.10%	The infrastructure assets (immovable assets) depreciation is included after the valuation of the infrastructure assets was completed in 2012.
Impairment loss on assets	(1 332 184)	-	(1 332 184)	0.00%	
Finance costs	(8 562 250)	(2,522,000)	(6 040 250)	239.50%	The finance cost increased significantly due to the increase in the employee benefits valuations.
Debt impairment	(66 683 498)	(5,564,000)	(61 119 498)	1098.48%	The significant variance on the debt impairment is as a result of the increased provision in doubtful debts, as a result of the significant amount of long outstanding debtors.
Repairs and maintenance	(58 889 678)	(56,093,000)	(2 796 678)	4.99%	
Bulk Purchases	(211 953 085)	(214,107,000)	2 153 915	-1.01%	
Contracted services	(27 431 000)	(29,221,000)	1 790 000	-6.13%	
Grants and subsidies paid	(3 346 719)	-	2 948 541	0.00%	
Loss on disposal of assets	(2 228 931)	-	(2 228 931)	0.00%	
General expenses	(87 040 142)	(123,254,000)	36 213 858	-29.38%	The Cash flow constraint led to non spending on the low priority budget items.
Total Expenditure	**(804 201 526)**	**(667 123 000)**	**(130 783 266)**	**19.6%**	
Other revenue and cost					
Fair value adjustments	5 197 896	-	5 197 896	0.00%	
Inventory write-ups / (write-downs)	1 714 657	-	1 714 657	0.00%	
Actuarial Gains/(Losses) on retirement benefit obligation	5 243 759	-	5 243 759	0.00%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**(83 901 995)**	**37 924 000**	**(115 530 735)**	**-304.64%**	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX F1 (Unaudited)
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2016

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	National Treasury	R 67,118,000	R 53,694,000	R 40,271,000	R -	R 40,270,750	R 40,270,750	R 40,270,750	R 40,270,750	R -	R -	R -	R -	-	Y	-
FMG	National Treasury	R 1,675,000	R -	R -	R -	R 270,868	R 482,670	R 547,649	R 433,416	R -	R -	R -	R -	-	Y	-
MSIG	National Treasury	R 930,000	R -	R -	R -	R 267,150	R 430,825	R 204,379	R 183,040	R -	R -	R -	R -	-	Y	-
MIG	National Treasury	R 22,765,000	R 8,786,000	R 7,348,000	R -	R 12,695,004	R 4,892,572	R 8,539,044	R 12,772,381	R -	R -	R -	R -	-	Y	-
RBIG	National Treasury	R 23,812,394	R 5,258,054	R 25,640,372	R 5,990,754	R 15,319,579	R 23,375,964	R 13,885,753	R 8,441,227	R -	R -	R -	R -	-	Y	-
EPWP	National Treasury	R 460,000	R -	R 691,000	R -	R -	R 70,410	R 686,994	R 403,862	R -	R -	R -	R -	-	Y	-
INEG	National Treasury	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	-	Y	-
LG Seta	SETA	R 120,654	R -	R 84,343	R 80,936	R 105,336	R -	R -	R 323,444	R -	R -	R -	R -	-	Y	-