Nketoana Local Municipality
Annual financial statements
for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality Demarcation number: FS193
Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community mainly in the Nketoana area.
Mayoral committee	
Executive Mayor	M Molapisi
Councillors	P Nkomo (Speaker) M Nakedi (Executive Member) M Mphaka (Executive Member) M Blignaut (Executive Member) M Moloedi (Executive Member) G Nhlapo P Mofokeng T Radebe M Malindi M Mosia M Semela K Mokoena N Tshabalala P Sibeko
Grading of local authority	Medium Capacity Grade 3 in terms of the Remuneration of Public Office Bearers' Act
Accounting Officer	LI Mokgatlhe (Municipal Manager)
Chief Finance Officer (CFO)	TG Makgale (acting)
Registered office	Corner Church and Voortrekker St Reitz 9810
Business address	Corner Church and Voortrekker St Reitz 9810
Postal address	P.O. Box 26 Reitz 9810
Capital risk	Nketoana Municipality
Bankers	ABSA (Primary bank)
Auditors	Auditor-General South Africa
Enabling legislation	Municipal Finance Management Act (Act 56 of 2003) Municipal Property Rates Act (Act 6 of 2004) revised 2014 Municipal Structures Act (Act 117 of 1998) Municipal Systems Act (Act 32 of 2000) Division of Revenue Act (Act 2 of 2013)

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IDP	Integrated Development Plan
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NERSA	National Energy Regulator of South Africa
PAYE	Pay As You Earn
SCM	Supply Chain Management

Accounting Officer's Responsibilities and Approval

The municipality is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Nketoana area and operates principally in South Africa.

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that 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 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 certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 36of 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 89, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 30 November 2016:

L.I. Mokgatlhe
Municipal Manager

Audit Committee Report

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

Audit committee members and attendance

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

Name of member	Number of meetings attended
BTA Matabane (Chairperson)	4
K Motsoane	4
C Mokoena	4

	2015/07/03	2015/10/02	2016/01/26	2016/06/08
BTA Matabane (Chairperson)	Yes	Yes	Yes	Yes
K Motsoane	Yes	Yes	Yes	Yes
C Mokoena	Yes	Yes	Yes	Yes

All members of the Audit Committee are independent, with no interest in the management or conduct of the business of the Municipality.

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits, except for issues raised by the committee in their report to Council.

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Chairperson of the Audit Committee

Date: ______________________________

Report of the Auditor General

To the Provincial Legislature of Nketoana Local Municipality

Report on the financial statements

Responsibility of the Accounting Officer for the annual financial statements

The Accounting Officer is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor-General South Africa

30 November 2016

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

Net deficit of the municipality was R 41 264 760 (2015: deficit R 63 262 126).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality's current financial health however indicates that a material uncertainty exists as the municipality may not be able to realise its assets and discharge its liabilities.

The following analysis supports the going concern assumption:
- Total assets (R 1 051 378 120) exceed total liabilities (R 208 711 210)
The municipality has an accumulated surplus and other reserves of R 842 666 910.
Management 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, management is satisfied that the municipality has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

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 (Act 1 of 2015).

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year that would have an impact on the financial statements.

4. Accounting Officer's interest in contracts

In terms of the Supply Chain Management Policy of the municipality, councillors and officials are prohibited from entering into commercial transactions with the municipality.

Councilors and officials are required to disclose any business interest which they may have elsewhere.

The register of declaration of interest is available in the office of the Chief Whip for inspection.

Consistent with the Supply Chain Management Policy of the municipality, none of the councillors or officers entered into any commercial transaction with the municipality during the period under review.The Accounting Officer does not have any interest in contracts.

5. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed 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 Finance Management Act, (Act No. 56 of 2003).

6. Non-current assets

There were no major changes in the physical nature of non-current assets of the municipality during the year.

7. Accounting Officer

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

Name	Nationality
L.I. Mokgatlhe	South African

Accounting Officer's Report

8. Secretary

The municipality had no secretary during the year.

9. Auditors

Auditor-General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	4	608 278	586 686
Receivables from exchange transactions	5	-	-
Receivables from non-exchange transactions	6	2 119 152	1 953 845
VAT receivable	7	1 763 881	1 763 881
Consumer debtors	8	17 708 530	15 822 490
Cash and cash equivalents	9	3 104 182	2 908 446
		25 304 023	**23 035 348**
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	24 513	50 476
Investment property	11	13 877 904	13 877 904
Property, plant and equipment	12	1 004 970 006	1 004 475 920
Intangible assets	13	65 598	72 705
Heritage assets	14	529 800	529 800
Other financial assets	15	4 587 776	4 305 805
Long-term deposit	16	2 018 500	2 018 500
		1 026 074 097	**1 025 331 110**
Total Assets		**1 051 378 120**	**1 048 366 458**
Liabilities			
Current Liabilities			
Other financial liabilities	17	1 349 442	1 398 503
Finance lease obligation	18	181 599	-
Payables from exchange transactions	19	163 779 083	113 956 319
VAT payable	20	13 545 356	18 376 667
Consumer deposits	21	1 348 785	1 305 253
Employee benefit obligation	22	422 000	550 000
Unspent conditional grants and receipts	23	92 019	1 091 381
Cash and cash equivalents	9	577 159	1 198 016
		181 295 443	**137 876 139**
Non-Current Liabilities			
Other financial liabilities	17	7 806 024	8 569 848
Finance lease obligation	18	467 740	-
Employee benefit obligation	22	11 033 000	10 619 000
Provisions	24	8 109 003	7 369 811
		27 415 767	**26 558 659**
Total Liabilities		**208 711 210**	**164 434 798**
Net Assets		**842 666 910**	**883 931 660**
Accumulated surplus	25	842 666 910	883 931 660

* See Note 2 & 53

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	128 350 794	111 255 685
Rental of facilities and equipment	27	331 864	356 580
Interest received (trading)	28	24 391 914	20 201 160
Other income	29	1 475 690	1 073 811
Interest received - investment	30	1 101 572	583 166
Total revenue from exchange transactions		**155 651 834**	**133 470 402**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	16 612 976	15 835 059
Transfer revenue			
Government grants & subsidies	32	145 433 408	145 035 655
Public contributions and donations	33	8 942 783	4 299 995
Fines	34	216 310	205 404
Total revenue from non-exchange transactions		**171 205 477**	**165 376 113**
Total revenue		**326 857 311**	**298 846 515**
Expenditure			
Employee related costs	35	(80 810 390)	(74 798 709)
Remuneration of councillors	36	(6 891 541)	(6 676 993)
Depreciation and amortisation	37	(58 502 541)	(57 015 081)
Finance costs	38	(10 202 243)	(8 338 647)
Lease rentals on operating lease	39	(5 547 174)	(4 686 484)
Debt Impairment	40	(83 419 298)	(108 567 852)
Repairs and maintenance	41	(18 427 332)	(15 404 523)
Bulk purchases	42	(43 817 910)	(38 934 748)
Contracted services	43	(11 399 862)	(10 758 689)
General Expenses	44	(49 138 817)	(37 729 201)
Total expenditure		**(368 157 108)**	**(362 910 927)**
Operating deficit		**(41 299 797)**	**(64 064 412)**
Gain on disposal of assets and liabilities	45	-	36 425
Fair value adjustments	46	(25 963)	57 861
Actuarial gains/losses	22	61 000	708 000
		35 037	**802 286**
Deficit for the year		**(41 264 760)**	**(63 262 126)**

* See Note 2 & 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	533 187 222	533 187 222
Adjustments		
Correction of errors	414 006 564	414 006 564
Balance at 01 July 2014 as restated*	**947 193 786**	**947 193 786**
Changes in net assets		
Deficit for the year	(63 262 126)	(63 262 126)
Total changes	(63 262 126)	(63 262 126)
Opening balance as previously reported	492 774 890	492 774 890
Adjustments		
Correction of errors	391 156 780	391 156 780
Restated* Balance at 01 July 2015 as restated*	**883 931 670**	**883 931 670**
Changes in net assets		
Deficit for the year	(41 264 760)	(41 264 760)
Total changes	(41 264 760)	(41 264 760)
Balance at 30 June 2016	**842 666 910**	**842 666 910**

* See Note 2 & 53

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		16 673 984	15 835 059
Sale of goods and services		69 183 916	54 705 719
Grants		153 427 832	139 771 682
Interest income		1 101 572	583 166
		240 387 304	210 895 626
Payments			
Employee costs		(87 354 931)	(81 031 940)
Suppliers		(82 578 504)	(72 329 583)
Finance costs		(10 202 243)	(8 338 647)
		(180 135 678)	(161 700 170)
Net cash flows from operating activities	48	**60 251 626**	**49 195 456**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(59 549 009)	(45 578 295)
Proceeds from sale of property, plant and equipment	12	587 073	36 425
Purchase of other intangible assets	13	(27 582)	(19 666)
Movement in financial assets		(281 971)	306 724
Net cash flows from investing activities		**(59 271 489)**	**(45 254 812)**
Cash flows from financing activities			
Repayment of other financial liabilities		(812 885)	(1 348 909)
Movment in finance lease liability		649 339	-
Net cash flows from financing activities		**(163 546)**	**(1 348 909)**
Net increase/(decrease) in cash and cash equivalents		**816 591**	**2 591 735**
Cash and cash equivalents at the beginning of the year		1 710 430	(881 306)
Cash and cash equivalents at the end of the year	9	**2 527 021**	**1 710 429**

* See Note 2 & 53

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 from exchange transactions						
Service charges	142 869 000	-	**142 869 000**	128 350 794	**(14 518 206)**	Note 1
Rental of facilities and equipment	409 000	(42 000)	**367 000**	331 864	**(35 136)**	Note 2
Interest received (trading)	12 000 000	10 577 000	**22 577 000**	24 391 914	**1 814 914**	Note 3
Other income - (rollup)	51 867 000	(19 639 000)	**32 228 000**	1 475 690	**(30 752 310)**	Note 4
Interest received - investment	644 000	(44 000)	**600 000**	1 101 572	**501 572**	Note 5
Total revenue from exchange transactions	**207 789 000**	**(9 148 000)**	**198 641 000**	**155 651 834**	**(42 989 166)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18 796 000	-	**18 796 000**	16 612 976	**(2 183 024)**	Note 6
Transfer revenue						
Government grants & subsidies	84 163 000	-	**84 163 000**	145 433 408	**61 270 408**	Note 7
Public contributions and donations	-	-	**-**	8 942 783	**8 942 783**	
Fines	180 000	-	**180 000**	216 310	**36 310**	Note 8
Total revenue from non-exchange transactions	**103 139 000**	**-**	**103 139 000**	**171 205 477**	**68 066 477**	
Total revenue	**310 928 000**	**(9 148 000)**	**301 780 000**	**326 857 311**	**25 077 311**	
Expenditure						
Personnel	(71 987 000)	1 108 000	**(70 879 000)**	(80 810 390)	**(9 931 390)**	Note 9
Remuneration of councillors	(6 530 000)	(132 000)	**(6 662 000)**	(6 891 541)	**(229 541)**	Note 10
Depreciation and amortisation	(64 000 000)	(3 200 000)	**(67 200 000)**	(58 502 541)	**8 697 459**	Note 11
Finance costs	(1 200 000)	-	**(1 200 000)**	(10 202 243)	**(9 002 243)**	Note 12
Lease rentals on operating lease	-	-	**-**	(5 547 174)	**(5 547 174)**	Note 13
Bad debts written off	(40 316 000)	-	**(40 316 000)**	(83 419 298)	**(43 103 298)**	Note 14
Repairs and maintenance	(10 898 000)	(260 000)	**(11 158 000)**	(18 427 332)	**(7 269 332)**	Note 15
Bulk purchases	(50 434 000)	11 400 000	**(39 034 000)**	(43 817 910)	**(4 783 910)**	Note 16
Contracted Services	(6 930 000)	(963 000)	**(7 893 000)**	(11 399 862)	**(3 506 862)**	Note 17
Transfers and Subsidies	(22 499 000)	5 171 000	**(17 328 000)**	-	**17 328 000**	
General Expenses	(38 978 000)	(4 806 000)	**(43 784 000)**	(49 138 817)	**(5 354 817)**	Note 18
Total expenditure	**(313 772 000)**	**8 318 000**	**(305 454 000)**	**(368 157 108)**	**(62 703 108)**	
Operating deficit	**(2 844 000)**	**(830 000)**	**(3 674 000)**	**(41 299 797)**	**(37 625 797)**	
Fair value adjustments	-	-	**-**	(25 963)	**(25 963)**	
Actuarial gains/losses	-	-	**-**	61 000	**61 000**	
	-	**-**	**-**	**35 037**	**35 037**	
Deficit before taxation	**(2 844 000)**	**(830 000)**	**(3 674 000)**	**(41 264 760)**	**(37 590 760)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(2 844 000)**	**(830 000)**	**(3 674 000)**	**(41 264 760)**	**(37 590 760)**	

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 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

Basis differences
Both the approved budget and the financial statements are prepared on the accrual basis and differences between the final budget and actual amounts are therefore not due to basis differences.

Timing differences
The budget period does not differ from the financial statements period and differences between the final budget and the actual amounts are therefore not due to timing differences.

Entity differences
The approved budget does not omits programmes or entities that are part of the Municipality for financial statement purposes and differences between the final budget and actual amounts are therefore not due to entity differences.

Explanantions for differences between budget and actual

Note 1
The budgeted amount was not in line with growth expectations. The service charges increased as expected but is still not in line with the budgeted amount.

Note 2
The budgeted amount did not account for the rental contracts that ended during the 2015/2016 financial year.

Note 3
The municipality's interest on overdue accounts is linked to prime and the multiple upward changes to the repo rate was not budgeted for. This was further increased by the rising consumer debtor figure.

Note 4
The budgeted amount included revenue collection strategies which were never implemented.

Note 5
The municipality invest more funds and for longer periods than initially budgeted for.

Note 6
The budgeted amount was not in line with growth expectations. The service charges increased as expected but is still not in line with the budgeted amount.

Note 7
The budgeted amount does not include capital grants such as MIG, RBIG and INEG, whilst the actual amount includes capital and operational grants.

Note 8
Issuing and collection of fines were higher than budgeted for..

Note 9
The municipality did not budget for any expense relating to the vacant positions and the accompanying acting allowances.

Note 10
The actual amount is within 3% of the budgeted amount and the variance is therefore seen as insignificant.

Note 11
The municiplaty's depreciation for 2014/2015 and 2015/2016 was recalculated using the new asset registers and this resulted in the actual figure being significantly lower than the budgeted figure.

Note 12
Interest on overdue payable accounts caused the significant difference between the budgeted and actual amounts.

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

Note 13
Lease rentals were budgeted for under *general expenses*.

Note 14
The 2015/2016 actual write-offs amounted to R23m whilst the increase in the provision for bad debts amounted to R52m. The movement in the Statement of Financial Performance was not adequately budgeted for.

Note 15
Repairs & maintenance on ageing infrastructure was not adequately budgeted for.

Note 16
The budgeted bulk purchases is 12% lower than the actual amount. The significant increase in the cost of electricity was not anticipated and therefore not adequately budgeted for.

Note 17
The vacant positions and lack of yellow fleet resulted in higher contracted service amounts..

Note 18
The significant increase in the electricity expenditure was not adequately budgeted for.

The accounting policies on pages 17 to 46 and the notes on pages 47 to 89 form an integral part of the annual financial statements.

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

1.4 Investment property (continued)

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.

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	5 - 60 years
Furniture and fixtures	Straight line	5 - 7 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	4 - 15 years
Emergency equipment	Straight line	5 years
Leased assets	Straight line	3 years
Electricity network	Straight line	5 - 60 years
Roads and stormwater	Straight line	10 - 60 years
Wastewater network	Straight line	5 - 70 years
Water network	Straight line	5 - 60 years

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

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

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

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

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

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.

1.5 Property, plant and equipment (continued)

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

1.6 Intangible assets

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

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

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

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life

Accounting Policies

1.6 Intangible assets (continued)

Computer software, other	4 years

1.7 Heritage assets

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 annual financial statements.

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

Recognition

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

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 is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 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.

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

A financial asset is:

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

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

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

- 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.

1.8 Financial instruments (continued)

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

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

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

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

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

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

Classification

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

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

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

Class	Category
Residual interest	Measured at cost

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

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:

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.

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.

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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 Leases

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

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

Finance leases - lessee

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

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

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

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

1.9 Leases (continued)

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.

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of non-cash-generating assets

Identification
When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.
The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use
Where it is not practical to determine the fair value less costs to sell, the entity uses the value in use. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach
The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides.
Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

1.13 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

1.14 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

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 in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

Accounting Policies

1.14 Provisions and contingencies (continued)

- 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.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.15 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made.

The notes to the financial statements must disclose the nature and amount of each material individual expenditure commitment and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
-Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
-Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 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.

Measurement

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

1.16 Revenue from exchange transactions (continued)

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.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest revenue is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendedred by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Prepaid electricity
Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August).

The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.17 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.

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

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

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

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

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

1.17 Revenue from non-exchange transactions (continued)

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.

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.

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Transfers

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

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Accounting Policies

1.18 Investment income

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

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.

1.19 Comparative figures

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

1.20 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

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

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

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

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

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.

Accounting Policies

1.23 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets. The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.24 Budget information

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

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

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

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

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

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

1.25 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.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard. Close members of the family of key management are considered to be those family members who may be expected to influence, or be influenced by, key management in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with GRAP 20 Related Party Disclosure.

1.26 Events after reporting date

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

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

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

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

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- GRAP 16 Investment property was carried at cost in 2015 and earlier but the fair value method was adopted in 2016.

3. New standards and interpretations

3.1 Standards and Interpretations early adopted

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Related parties;
- Remuneration; and
- Significant influence

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

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

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

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

The impact of the standard is set out in note 2 Changes in Accounting Policy.

3.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

4. Inventories

Consumable stores	191 281	152 668
Water	416 997	434 018
	608 278	**586 686**

Inventory recognised as an expense during the year	658 943	1 115 309

Consumables amounting to R 373 754 (2015: R 365 682) and water amounting to R 285 189 (2015: R 749 627) were expensed.

Inventory pledged as security

No iventory type is pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Receivables from exchange transactions

Expenditure to be investigated	407 520	407 520
Other debtors	9 519 191	9 536 802
Other receivable - ABSA	1 078 004	1 078 004
Provision for impairment	(11 004 715)	(11 022 326)
	-	-

Trade and other receivables impaired

As of 30 June 2016, other receivables of R 11 004 715 (2015: R 11 022 326) were impaired and provided for.

6. Receivables from non-exchange transactions

Fines	8 690	148 625
Other receivables from non-exchange revenue	-	10 146
Consumer debtors - Rates	2 110 462	1 795 074
	2 119 152	**1 953 845**

Receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions impaired

Reconciliation of consumer debtors - rates		
Consumer debtors - Rates	22 479 328	18 922 985
Consumer debtors - Rates (impairment)	(20 368 866)	(17 127 911)
	2 110 462	**1 795 074**

Rates		
Current (0 -30 days)	901 619	819 734
31 - 60 days	569 931	468 084
61 - 90 days	469 887	431 836
91 - 120 days	169 025	75 420
	2 110 462	**1 795 074**

7. VAT receivable

VAT	1 763 881	1 763 881

8. Consumer debtors (exchange transactions)

Gross balances		
Electricity	10 729 772	10 372 710
Water	79 308 078	60 411 229
Sewerage	44 093 387	36 504 198
Refuse	49 345 310	41 088 295
Sundry debtors	133 105 777	109 718 275
Housing rental	340 967	376 781
	316 923 291	**258 471 488**

Figures in Rand	2016	2015

8. Consumer debtors (exchange transactions) (continued)

Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	**(242 648 998)**

Net balance		
Electricity	4 971 171	5 819 629
Water	5 337 839	4 239 549
Sewerage	1 805 862	1 141 620
Refuse	1 430 447	1 168 513
Sundry debtors	4 162 891	3 452 917
Housing rental	320	262
	17 708 530	**15 822 490**

Electricity		
Current (0 -30 days)	3 923 308	5 299 362
31 - 60 days	376 933	258 518
61 - 90 days	281 625	131 101
91 - 120 days	234 431	106 752
121 - 365 days	154 874	23 896
	4 971 171	**5 819 629**

Water		
Current (0 -30 days)	3 004 638	2 490 670
31 - 60 days	255 394	273 228
61 - 90 days	208 693	182 221
91 - 120 days	168 516	155 290
121 - 365 days	187 166	132 907
> 365 days	1 513 432	1 005 233
	5 337 839	**4 239 549**

Sewerage		
Current (0 -30 days)	589 345	325 060
31 - 60 days	156 591	160 859
61 - 90 days	130 065	86 937
91 - 120 days	77 940	67 219
121 - 365 days	67 238	58 166
> 365 days	784 683	443 379
	1 805 862	**1 141 620**

Refuse		
Current (0 -30 days)	340 328	320 544
31 - 60 days	131 109	137 804
61 - 90 days	108 934	88 050
91 - 120 days	80 730	70 116
121 - 365 days	71 183	60 443
> 365 days	698 163	491 556
	1 430 447	**1 168 513**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Consumer debtors (exchange transactions) (continued)

Sundry debtors		
Current (0 -30 days)	1 556 905	985 997
31 - 60 days	446 582	400 269
61 - 90 days	430 416	320 603
91 - 120 days	383 191	370 600
121 - 365 days	398 181	415 916
> 365 days	947 616	959 532
	4 162 891	**3 452 917**

Housing rental		
> 365 days	320	262

Figures in Rand	2016	2015

8. Consumer debtors (exchange transactions) (continued)

Summary of debtors by customer classification

	2016	2015
Consumers		
Current (0 -30 days)	1 510 014	957 136
31 - 60 days	736 163	216 090
61 - 90 days	668 138	153 787
91 - 120 days	602 125	153 004
121 - 365 days	620 059	748 193
	4 136 499	**2 228 210**
Industrial/commercial		
Current (0 -30 days)	4 463 090	4 450 433
31 - 60 days	295 792	114 658
61 - 90 days	203 198	26 616
91 - 120 days	190 357	28 117
121 - 365 days	188 479	1 431
> 365 days	1 272 950	764 602
	6 613 866	**5 385 857**
National and provincial government		
Current (0 -30 days)	3 441 419	2 890 207
31 - 60 days	334 654	468 795
61 - 90 days	288 397	209 978
91 - 120 days	152 325	164 138
121 - 365 days	123 088	317 116
> 365 days	2 618 282	4 158 189
	6 958 165	**8 208 423**
Total		
Current (0 -30 days)	9 414 522	9 456 795
31 - 60 days	1 366 610	1 230 679
61 - 90 days	1 159 733	808 912
91 - 120 days	944 807	769 976
121 - 365 days	931 626	771 484
> 365 days	3 891 232	2 784 644
	17 708 530	**15 822 490**
Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	**(242 648 998)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(242 648 998)	(208 898 713)
Contributions to allowance	(73 582 017)	(51 875 200)
Debt impairment written off against allowance	17 016 254	18 124 915
	(299 214 761)	**(242 648 998)**

Figures in Rand	2016	2015

8. Consumer debtors (exchange transactions) (continued)

Consumer debtors pledged as security

None of the consumer debtors were pledged as security for any financial liability.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

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

Consumer receivables are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at prime rate for the period.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	9 688	5 520
Short-term deposits	3 093 883	2 902 315
Other cash and cash equivalents	611	611
Cash and cash equivalents	(577 159)	(1 198 016)
	2 527 023	**1 710 430**

	2016	2015
Current assets	3 104 182	2 908 446
Current liabilities	(577 159)	(1 198 016)
	2 527 023	**1 710 430**

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 - Operating account - 2170560119	264 220	2 328 216	1 421 932	101 374	(2 764 673)	(3 071 214)
ABSA - Banktel account - 2170142538	57 397	173 334	1 311 877	(678 533)	196 807	1 400 606
ABSA - Call account - 90741555973	1 872 020	1 725 063	149 658	1 872 020	1 725 063	149 658
Old Mutual - 5208945	521 270	521 270	491 185	521 270	521 270	491 185
Total	**2 714 907**	**4 747 883**	**3 374 652**	**1 816 131**	**(321 533)**	**(1 029 765)**

10. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Game	24 513	-	24 513	50 476	-	50 476

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Game	50 476	(25 963)	24 513

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Gains or losses arising from changes in fair value	Total
Game	22 700	27 776	50 476

Non - Financial information

Quantities of each biological asset		
Blesbok	9	9
Wildebeest	1	1
Zebra	2	2
	12	**12**

Pledged as security

None of the biological assets were pledged as security for any financial liabilities.

Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

11. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	13 877 904	-	13 877 904	13 877 904	-	13 877 904

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904

Reconciliation of investment property - 2015

	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904

11. Investment property (continued)

Pledged as security

Investment property is not pledged as security.

There are no restrictions on the remittance of revenue and proceeds on disposals relating to investment property.

There are no contractual obligations to repair, maintain, enhance, purchase, construct or develop 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.

12. 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	17 838 185	-	17 838 185	17 838 185	-	17 838 185
Buildings	223 933 949	(111 575 446)	112 358 503	210 660 859	(106 058 821)	104 602 038
Infrastructure	1 472 840 952	(766 095 135)	706 745 817	1 453 939 129	(715 568 439)	738 370 690
Other property, plant and equipment	16 675 764	(8 237 714)	8 438 050	16 898 707	(6 976 439)	9 922 268
Landfill sites	21 868 937	(1 763 924)	20 105 013	21 868 937	(1 118 196)	20 750 741
Leased assets	649 339	(17 197)	632 142	-	-	-
Work-in-progress	138 852 296	-	138 852 296	112 991 998	-	112 991 998
Total	**1 892 659 422**	**(887 689 416)**	**1 004 970 006**	**1 834 197 815**	**(829 721 895)**	**1 004 475 920**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	17 838 185	-	-	-	-	17 838 185
Buildings	104 602 038	-	-	13 273 090	(5 516 625)	112 358 503
Infrastructure	738 370 690	-	-	18 901 824	(50 526 697)	706 745 817
Other property, plant and equipment	9 922 268	864 458	(587 073)	-	(1 761 603)	8 438 050
Landfill sites	20 750 741	-	-	-	(645 728)	20 105 013
Leased assets	-	649 339	-	-	(17 197)	632 142
Work-in-progress	112 991 998	58 035 212	-	(32 174 914)	-	138 852 296
	1 004 475 920	**59 549 009**	**(587 073)**	**-**	**(58 467 850)**	**1 004 970 006**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	17 838 185	-	-	-	-	17 838 185
Buildings	110 009 131	-	-	-	(5 407 093)	104 602 038
Infrastructure	763 355 856	-	-	24 444 420	(49 429 586)	738 370 690
Other property, plant and equipment	10 068 953	1 402 635	-	-	(1 549 320)	9 922 268
Landfill sites	6 599 468	-	-	14 751 509	(600 236)	20 750 741
Work-in-progress	108 012 267	44 175 660	-	(39 195 929)	-	112 991 998
	1 015 883 860	**45 578 295**	**-**	**-**	**(56 986 235)**	**1 004 475 920**

Figures in Rand	2016	2015

12. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

	2016	2015
Office equipment	632 142	-

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.

13. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	240 691	(175 093)	65 598	213 110	(140 405)	72 705

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	72 705	27 582	(34 689)	65 598

Reconciliation of intangible assets - 2015

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	81 886	19 666	(28 847)	72 705

14. Heritage assets

	2016			2015		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Stamp collections, military insignia, medals, coin	529 800	-	529 800	529 800	-	529 800

Reconciliation of heritage assets 2016

	Opening balance	**Additions**	**Disposals**	**Total**
Stamp collections, military insignia, medals, coin	529 800	-	-	529 800

Reconciliation of heritage assets 2015

	Opening balance	**Additions**	**Disposals**	**Total**
Stamp collections, military insignia, medals, coin	529 800	-	-	529 800

15. Other financial assets

Residual interest at cost

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
15. Other financial assets (continued)		
Unlisted shares	5 000	5 000
VKB Agriculture (Pty) Ltd		
Preference shares	307 585	269 380
VKB Agriculture (Pty) Ltd		
	312 585	**274 380**
At amortised cost		
Other financial asset	4 275 191	4 031 425
Standard Bank - Money Market		
Total other financial assets	**4 587 776**	**4 305 805**
Non-current assets		
Residual interest at cost	312 585	274 380
At amortised cost	4 275 191	4 031 425
	4 587 776	**4 305 805**

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

Level 1		
Standard Bank - Money Market	4 275 191	4 031 425

Financial assets at amortised cost

Nominal value of financial assets at cost

Unlisted shares Investment in a private company initially recognised at cost. Council have not been able to determine the reasonability of the fair value.	312 585	274 380

Financial assets pledged as collateral

Collateral

Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	4 275 191	4 031 425

16. Long-term deposit

Non-current deposit	2 018 500	2 018 500

The long-term deposit is held by ESKOM for the upgrade done by the municipality to the electricity network.

No interest is earned on the deposit.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Other financial liabilities

At amortised cost		
Bank loan	7 231 214	6 889 142
The Development Bank of Southern Africa Limited		
Bank loan	1 222 090	1 153 659
The Development Bank of Southern Africa Limited		
Other loan	702 162	1 925 550
Grainfield Chickens Proprietary Limited		
	9 155 466	**9 968 351**
Total other financial liabilities	**9 155 466**	**9 968 351**

Development Bank of South Africa
Loan 1
The original loan amount was R 9,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.

Loan 2
The original loan amount was R 1,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.

Grainfield Chickens
Interest charged is linked to the prime interest rate. Monthly municipal fees are deducted as repayments on the loan.

In 2015/2016 all repayments on the DBSA loans were not made as per loan agreement. The default was not remedied and the terms were not renegotiated before the financial statements were authorized for issue.

Non-current liabilities		
At amortised cost	7 806 024	8 569 848
Current liabilities		
At amortised cost	1 349 442	1 398 503

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

18. Finance lease obligation

Minimum lease payments due		
- within one year	276 840	-
- in second to fifth year inclusive	553 680	-
	830 520	-
less: future finance charges	(181 181)	-
Present value of minimum lease payments	**649 339**	**-**

Present value of minimum lease payments due		
- within one year	181 599	-
- in second to fifth year inclusive	467 740	-
	649 339	**-**

Non-current liabilities	467 740	-
Current liabilities	181 599	-
	649 339	**-**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 17% (2015: -%).

Interest rates are fixed at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

19. Payables from exchange transactions

Trade payables	155 737 055	106 018 250
Deferred revenue	383 215	690 499
Salary suspense	37 425	-
Accrued leave pay	5 962 628	5 793 612
Accrued bonus	1 617 116	1 412 314
Deposits received	41 644	41 644
	163 779 083	**113 956 319**

20. VAT payable

VAT balance	13 545 356	18 376 667

VAT is payable on the cash basis and is paid to SARS once payments are received from debtors and claimed from SARS once suppliers have been paid.

The VAT balance is the net amount of the municipality's VAT control accounts where amounts were received from debtors and paid to suppliers.

21. Consumer deposits

Electricity	1 318 100	1 278 341
Housing rental	30 685	26 912
	1 348 785	**1 305 253**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Employee benefit obligations

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

	2016	2015
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(11 455 000)	(11 169 000)

	2016	2015
Carrying value		
Long service awards	(4 117 000)	(3 801 000)
Medical aid benefits	(7 338 000)	(7 368 000)
	(11 455 000)	**(11 169 000)**

	2016	2015
Non-current liabilities	(11 033 000)	(10 619 000)
Current liabilities	(422 000)	(550 000)
	(11 455 000)	**(11 169 000)**

	2016	2015
Non-current liabilities		
Long service awards	(3 695 000)	(3 251 000)
Medical aid benefits	(7 338 000)	(7 368 000)
	(11 033 000)	**(10 619 000)**

	2016	2015
Current liabilities		
Long service awards	(422 000)	(550 000)

22. Employee benefit obligations (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Members of their executive committee include:
- Niel Fourie FASSA, CERA
- Pieter Wasserfall B.Com Actuarial Science
- Dennis De Wet B.Com (Hons) Financial Analysis

Long service award liability
The long service awards liability arises from the municipality being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee’s annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

Post-employment medical aid liabilities
The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees. The future cash flows will continue until the mortality of all members. The mortality is therefore the uncertainty relating to the provision.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse’s future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee’s medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

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

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

Figures in Rand	2016	2015

22. Employee benefit obligations (continued)

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

Opening balance	11 169 000	11 437 000
Benefits paid	(1 199 000)	(1 128 000)
Net expense recognised in the statement of financial performance	1 485 000	860 000
	11 455 000	**11 169 000**

Net expense recognised in the statement of financial performance

Current service cost	550 000	593 000
Interest cost	996 000	975 000
Actuarial (gains) losses	(61 000)	(708 000)
	1 485 000	**860 000**

Key assumptions used

Assumptions used at the reporting date:

Consumer price inflation (CPI) - Difference between nominal and real yield curve	- %	- %
Discount rate - Yield curve	- %	- %
Normal salary increase rate (CPI + 1%)	6.00 %	6.79 %
Net effective discount rate - Yield curve based	- %	- %

Other assumptions

Discount rate
GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The nominal and real zero curves as at 30 June 2016 as supplied by the JSE, was used to determine the discounted rates and CPI assumptions at each relevant time period. This methodology has cahnged from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal salary inflation rate
The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of 6%.

Average retirement age
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Finance Management Grant	92 019	544 100
Intergrated National Electrification Programme Grant	-	499 281
Expanded Public Works Programme Grant	-	48 000
	92 019	**1 091 381**

Movement during the year

Balance at the beginning of the year	1 091 381	3 679 861
Additions during the year	64 824 046	66 406 378
Income recognition during the year	(65 823 408)	(68 994 858)
	92 019	**1 091 381**

See note 32 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of discount costs	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	7 369 811	739 192	-	-	-	8 109 003

Reconciliation of provisions - 2015

	Opening Balance	Unwinding of discount costs	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	6 698 002	671 809	-	-	-	7 369 811

Environmental rehabilitation provision

24. Provisions (continued)

The provision is for the estimated future cost of the rehabilitation of the solid waste dumping sites at Mamafubedu (Petrus Steyn), Arlington, Lindley and Petsana (Reitz).

The rehabilitation requirements are in terms of the Acts and Standards listed below:
- National Treasury: GRAP 17 & 19.
- The National Environmental Management Act 107 of 1998
- The National Environmental Management Waste Act 59 of 2008.
- The Minimum Requirements for Waste Disposal by Landfill: DWAF, 1998.
- The South African Constitution Act 108 of 1996.
- The National Environmental Management Air Quality Act 39 f 2004.
- Hazardous Substances Act 5 of 1973.
- Mineral and Petroleum Resources and Development Act 28 of 2002.
- Health Act 63 if 1977.
- Occupational Health and Safety Act 8 of 1993.
- Municipal Systems Act 32 of 200.
- Environmental Conservation Act 73 of 1989.
- Municipal Structures Act 117 of 1998.

Mamafubedu (Petrus Steyn)
The disposal site presently used has an approximate area of 38 236 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Petrus Steyn and Mamafubedu for another 14 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 2 326 277.

The future costs are discounted at a risk-adjusted weighted average cost of captial of 9.83% to establish the present value of the provision.

Lindley
The disposal site presently used has an approximate area of 59 625 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Lindley for another 41 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 1 196 773.

The future costs are discounted at a risk-adjusted weighted average cost of captial of 10.17% to establish the present value of the provision.

Petsana (Reitz)
The disposal site presently used has an approximate area of 87 580 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Reitz and Petsana for another 19 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 3 810 217.

The future costs are discounted at a risk-adjusted weighted average cost of captial of 9.95% to establish the present value of the provision.

Arlington
The disposal site presently used has an approximate area of 14 250 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste fromArlington for another 27 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 775 736.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Provisions (continued)

The future costs are discounted at a risk-adjusted weighted average cost of captial of 10.17% to establish the present value of the provision.

25. Accumulated surplus

Accumulated surplus (deficit)	842 666 919	883 931 670

26. Service charges

Sale of electricity	46 084 095	41 780 565
Sale of water	44 260 561	38 736 065
Sewerage and sanitation charges	19 500 416	15 902 118
Refuse removal	18 505 722	14 836 937
	128 350 794	**111 255 685**

27. Rental of facilities and equipment

Premises		
Premises	255 398	283 578
Facilities and equipment		
Rental of facilities	76 466	73 002
	331 864	**356 580**

28. Interest received (trading)

Interest received (trading)	24 391 914	20 201 160

29. Other income

Insurance claims	5 684	165 328
Connection fees	1 106 013	759 235
Garden refuse	-	263
Building plans and clearance certificates	31 042	40 030
Other income	332 951	108 955
	1 475 690	**1 073 811**

30. Investment revenue

Interest revenue		
Bank	1 100 347	583 166
Interest received - other	1 225	-
	1 101 572	**583 166**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

31. Property rates

Rates received

Property rates	16 612 976	15 835 059

Valuations

Residential	1 099 810 907	1 099 215 907
Commercial	209 981 254	210 301 254
State	198 491 607	198 491 607
Municipal	328 492 500	328 614 500
Small holdings and farms	3 287 924 355	3 297 559 531
	5 124 700 623	**5 134 182 799**

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

Interest at prime plus 1% per annum (2015: 1%) is levied on overdue accounts.

The new general valuation will be implemented on 01 July 2018.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. Government grants and subsidies

Operating grants		
Equitable Share	80 039 000	79 011 000
Municipal System Improvement Grant	930 000	934 000
Municipal Finance Management Grant	3 302 081	1 765 224
Local Government Sector Education Training Authority Grant	141 640	112 163
Expanded Public Works Programme Grant	1 156 000	1 056 334
	85 568 721	82 878 721
Capital grants		
Municipal Infrastructure Grant	24 633 000	26 572 000
Regional Bulk Infrastructure Grant	33 171 406	30 784 215
Eskom Electrification Grant	2 060 281	4 800 719
	59 864 687	62 156 934
	145 433 408	**145 035 655**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	63 053 027	65 315 331
Unconditional grants received	80 538 281	79 011 000
	143 591 308	**144 326 331**

Equitable Share

Current-year receipts	80 039 000	77 589 000
Transferred to revenue	(80 039 000)	(79 011 000)
EPWP surrendered	-	369 999
INEG surrendered	-	1 052 001
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable Share is an unconditional grant and is utilised to assist the local municipalities to undertake service delivery.

Muncipal Systems Improvement Grant

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

Municipal Finance Management Grant

Balance unspent at beginning of year	544 100	709 324
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(2 052 081)	(1 765 224)
	92 019	**544 100**

Conditions still to be met - remain liabilities (see note 23).

Local Government Sector Education Training Authority Grant

Current-year receipts	141 640	112 163
Conditions met - transferred to revenue	(141 640)	(112 163)
	-	-

Figures in Rand	2016	2015

32. Government grants and subsidies (continued)

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	499 281	1 052 001
Current-year receipts	1 561 000	5 300 000
Conditions met - transferred to revenue	(2 060 281)	(4 800 719)
Other	-	(1 052 001)
	-	**499 281**

Conditions still to be met - remain liabilities (see note 23).

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	-	1 548 203
Current-year receipts	33 171 406	29 236 012
Conditions met - transferred to revenue	(33 171 406)	(30 784 215)
	-	-

Municipal Infrastructure Grant

Current-year receipts	24 633 000	26 572 000
Conditions met - transferred to revenue	(24 633 000)	(26 572 000)
	-	-

Expanded Public Works Programme Grant

Balance unspent at beginning of year	48 000	370 333
Current-year receipts	1 108 000	1 104 000
Conditions met - transferred to revenue	(1 156 000)	(1 056 334)
Other	-	(369 999)
	-	**48 000**

Conditions still to be met - remain liabilities (see note 23).

33. Public contributions and donations

Public contributions and donations	8 942 783	4 299 995

The district municipality donated infrastructure assets to Nketoana Local Municipality in 2015 and 2016.

34. Fines

Traffic fines	216 310	205 404

The whole amount relates to traffic fines and recognition was based on GRAP23 requirements.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

35. Employee related costs

Basic	51 703 164	48 176 825
Bonus	3 317 436	3 498 891
Medical aid - company contributions	1 973 601	2 097 075
UIF	543 300	477 511
WCA	139 326	146 853
SDL	711 289	755 745
Leave pay and bonus provision	373 817	195 232
SALGA contributions	39 652	33 820
Defined contribution plans	996 000	975 000
Travel, car, accommodation, subsistence and other allowances	2 815 066	2 422 583
Overtime payments	5 260 317	4 476 540
Acting allowances	1 395 940	473 715
Housing benefits and allowances	419 862	406 791
Pension	8 668 340	8 488 640
Standby allowances	1 677 552	1 437 283
Telephone and other allowances	775 728	736 205
	80 810 390	**74 798 709**

The leave pay and bonus provision amounting to R 373 817 (2015: R 195 232) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 19 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Accounting Officer

Annual remuneration	851 970	776 065
Car allowance	192 000	-
Bonus	89 000	-
Other allowances	130 651	280 200
Contributions to UIF, medical and pension funds	255 487	33 300
	1 519 108	**1 089 565**

Remuneration of Acting Chief Financial Officer

Annual remuneratiion	299 374	279 789
Acting allowance	283 265	89 340
Car allowance	130 662	-
Bonus	24 948	-
Other allwances	19 378	-
Contributions to UIF, medical and pension funds	160 942	101 204
	918 569	**470 333**

Remuneration of Executive Director - Corporate Services

Annual remuneratiion	858 545	730 826
Acting allowance	15 600	-
Car allowance	36 000	-
Bonus	52 500	-
Other allowances	122 312	66 229
Contributions to UIF, medical and pension funds	-	4 256
	1 084 957	**801 311**

Remuneration of Executive Director - Technical Services

Annual remuneration	682 669	593 550
Car allowance	133 333	-
Bonus	49 462	-
Other allowances	122 663	268 905
Contributions to UIF, medical and pension funds	3 569	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

35. Employee related costs (continued)

	991 696	**862 455**

Remuneration of Executive Director - Community Services

Annual remuneration	830 770	687 626
Car allowance	79 000	-
Bonus	48 000	-
Other allowances	33 400	104 430
Contributions to UIF, medical and pension funds	35 296	1 785
	1 026 466	**793 841**

36. Remuneration of councillors

Salaries	5 046 528	4 934 816
Mayor	579 501	497 886
Bonuses	33 689	31 485
Car and other allowances	1 231 823	1 212 806
	6 891 541	**6 676 993**

In-kind benefits

The Mayor and Speaker are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor and Speaker have the use of Council owned laptops and tablets.

Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative Governance and the framework envisaged in section 219 of the Constitution.

Mayor	778 880	697 698
Executive Committee	1 413 860	1 362 972
Councillors	3 037 721	3 079 506
Speaker	630 608	578 333
	5 861 069	**5 718 509**

37. Depreciation and amortisation

Property, plant and equipment	58 467 853	56 986 234
Intangible assets	34 688	28 847
	58 502 541	**57 015 081**

38. Finance costs

Non-current borrowings	986 227	850 152
Trade and other payables	8 476 824	6 572 762
Late payment of tax	-	243 924
Other interest paid	739 192	671 809
	10 202 243	**8 338 647**

39. Lease rentals on operating lease

Lease rentals on operating lease	5 547 174	4 686 484

Figures in Rand	2016	2015

39. Lease rentals on operating lease (continued)

The leases included fleet (R 2 872 306) and office equipment (R 2 674 868) rentals.

Please refer to note 49 for more information on the commitment relating to operating leases.

40. Debt impairment

Contributions to debt impairment provision	59 853 833	57 771 631
Bad debts written off	23 565 465	50 796 221
	83 419 298	**108 567 852**

41. Repairs and maintenance

Repairs and maintenance - deductible	18 427 332	15 404 523

42. Bulk purchases

Electricity	43 532 721	38 183 983
Water	285 189	750 765
	43 817 910	**38 934 748**

43. Contracted services

Specialist Services	10 409 609	10 108 459
Other Contractors	990 253	650 230
	11 399 862	**10 758 689**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

44. General expenses

Advertising	113 804	110 110
Auditors remuneration	5 057 215	4 588 167
Bank charges	555 118	555 326
Cleaning	510 175	974 043
Commission paid	735 142	747 690
Consumables	829 636	775 003
Debt collection	-	3 338
Donations	928 500	388 154
Entertainment	405 665	419 521
Fines and penalties	100 436	231 768
Gifts (bursaries)	94 742	58 020
Insurance	1 154 395	1 048 676
Conferences and seminars	239 450	255 358
Promotions and sponsorships	53 050	15 580
Fuel and oil	4 137 616	3 799 829
Postage and courier	386 092	3 452
Printing and stationery	1 979 199	2 333 257
Promotions	911 019	754 004
Security (Guarding of municipal property)	342 764	1 878 067
Subscriptions and membership fees	1 563 202	813 723
Telephone and fax	818 089	1 247 753
Training	851 439	810 476
Travel - local	2 984 307	2 054 918
Refuse	629 417	592 231
Assets expensed	3 881 637	54 986
Electricity	15 975 381	10 410 711
Water	1 270	15 899
Uniforms	576 286	270 971
Tourism development	39 500	50 114
Licences	652 103	15 009
Chemicals	1 719 515	2 128 428
Other expenses	912 653	324 619
	49 138 817	**37 729 201**

45. Gain on disposal of assets and liabilities

Property, plant and equipment	-	36 425

46. Fair value adjustments

Biological assets - (Fair value model)	(25 963)	27 776
Other financial assets		
• Other financial assets (Held for trading)	-	30 085
	(25 963)	**57 861**

47. Auditors' remuneration

Fees	5 057 215	4 588 167

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

48. Cash generated from operations

Deficit	(41 264 760)	(63 262 126)
Adjustments for:		
Depreciation and amortisation	58 502 541	57 015 081
Loss on sale of assets and liabilities	-	(36 425)
Fair value adjustments	25 963	(57 861)
Debt impairment	83 419 298	108 567 852
Movements in retirement benefit assets and liabilities	286 000	(268 000)
Movements in provisions	739 192	671 809
Changes in working capital:		
Inventories	(21 592)	189 858
Receivables from exchange transactions	-	3 164 735
Consumer debtors	(85 305 338)	(94 179 167)
Other receivables from non-exchange transactions	(165 307)	10 927 812
Receivable - public contributions and donations	-	(4 566 465)
Payables from exchange transactions	49 822 770	33 562 924
VAT	(4 831 311)	-
Unspent conditional grants and receipts	(999 362)	(2 588 480)
Consumer deposits	43 532	53 909
	60 251 626	**49 195 456**

Figures in Rand	2016	2015

49. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - infrastructure	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - infrastructure	25 899 000	57 873 000
Total capital commitments		
Already contracted for but not provided for	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer	25 899 000	57 873 000
	97 327 554	**110 244 281**

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer		
• Expenditure	60 126 818	15 592 491
Total operational commitments		
Already contracted for but not provided for	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer	60 126 818	15 592 491
	123 705 252	**86 002 348**

Total commitments

Total commitments		
Authorised capital expenditure	97 327 554	110 244 281
Authorised operational expenditure	123 705 252	86 002 348
	221 032 806	**196 246 629**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	1 547 105

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	71 826	142 479
- in second to fifth year inclusive	139 994	218 958
- later than five years	128 328	170 135
	340 148	**531 572**

Certain of the municipality's equipment is held to generate rental income. There are no contingent rents receivable.

50. Contingencies

The municipality is being sued for the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain.

Litigation is in the process against the municipality relating to damage to property of J Shabalala. The amount under dispute is R 94 158. The legal fees amount to R 23 540.

Litigation is in the process against the municipality relating to a dispute with Monthei Construction. The amount under dispute is R 2 104 255. The legal fees amount to R 526 064.

Litigation is in the process against the municipality relating to a dispute with a Telkom. The amount under dispute is R 133 394. The legal fees amount to R 33 350.

Litigation is in the process against the municipality relating to a dispute with Telkom. The amount under dispute is R 66 982. The legal fees amount to R 16 745.

Litigation is in the process against the municipality relating to a dispute with Telkom. The amount under dispute is R 17 473. The legal fees amount to R 4 368.

Litigation is in the process against the municipality relating to a dispute with Q & H Water Services Pty Ltd. The amount under dispute is R 1 092 417. The legal fees amount to R 273 104.

Litigation is in the process against the municipality relating to a dispute with TLWG Lekota. The amount under dispute is R 310 000. The legal fees amount to R 77 500.

Litigation is in the process against the municipality relating to a dispute with DD Radebe. The amount under dispute is R 1 568 229. The legal fees amount to R 392 057.

Litigation is in the process against the municipality relating to a dispute with ELB Equipment. The amount under dispute is R 93 238. The legal fees amount to R 23 309.

Litigation is in the process against the municipality relating to a dispute with Rudnat Projects CC. The amount under dispute is R 5 287 036. The legal fees amount to R 1 321 759.

Litigation is in the process against the municipality relating to a dispute with Blue Kite Properties. The amount under dispute is R 45 600. The legal fees amount to R 11 400.

Litigation is in the process against the municipality relating to physical injuries to DE Motaung. The amount under dispute is R 3 422 000. The legal fees amount to R 863 750.

Litigation is in the process against the municipality relating to legal representation rendered by Morobane Incorporated. The amount under dispute is R 65 019. The legal fees amount to R 16 255.

Litigation is in the process against the municipality relating to damage to property of L Stoffberg. The amount under dispute is R 3 920. The legal fees amount to R 980.

51. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:
- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence; and
- entities that control or exert significant influence over the municipality

Executive management
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly, including any director (whether executive or otherwise) of the municipality. The municipality's key management personnel includes the Accounting officer, Executive Directors and close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the group.

Key management information
No transactions took place between the municipality and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in notes 35&36 for key management and Councilors.

Relationships

Accounting Officer	Refer to accounting officer's report note
Chief Financial Officer (Acting)	Tsietsi Godfrey Makgale
Councillors	Tshabalala Ncani Selina (Dexpro Construction and Trading)
	Mosia Mokete Jeremiah (Mahatammoho Reteng)
	Blignaut Marthinus (Agristan SA, Monaufic Belegging; NG Welsyn Reitz Wooneenhede; NG Welsyn Reitz Tehuis, Tipakri Eiemdomsbeleggings)
	Mokoena Kgaketla Abram (Re Bonahatse Construction)
	Radebe Tebogo Patrick (Emthonjeni Primary Coperative)
	Malindi Mosotho Simon (Linden Sons General)
	Mofokeng Phoka Petrus (PMMM Builders, Purple Moss 1057)
	Moshwadiba Pasika Zacharia (Schwak's Construction and Distribution)
Managers	Mokgatlhe Lekgetho (Reliable Trinity Automative Spares, Entle Trading 507)
	Maseko Sebina Mable (Maseko and Moji Trading and Projects)
	Letsela Simon Moeketsi (Thabo Mofutsanyane Football Academy, Goodman Soccer Academy, Small Green Garden Centre, Lapoloha Restaurant)
	George Joma (Luthando and Chechenta Service Provider)
Directors	Moletsane Morakane Miriam (Keewave Trading 97, Feminity in Development, Superior Quality Engineering and Technologies 97, Thembalentswe Construction and Projects, Moletsane and Diale Service Providers)
	Nhlapo Solomon Mokete (Kido Consultancy)

51. Related parties (continued)

Mazi Mwandile Penwel (Nthape IT, Mamampu Trading Enterprise, Mzwajo Project Management Services)

52. Change in estimate

Property, plant and equipment

The useful lives of all types of property, plant and equipment were reviewed and adjusted in 2016. Estimating the effect in future periods is impracticable.

Intangible assets

The useful life of intanible assets was estimated in 2015 to be 3 years. In the current period management have revised their estimate to 4 years. Estimating the effect in future periods is impracticable.

53. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated comparative amounts In terms of GRAP 3 -Accounting policies, Changes in Estimates and Errors:

Management of Nketoana Local Municipality, while preparing the annual financial statements for the year ending 30 June 2016, made corrections to last year's *service charges* and *consumer* accounts. These corrections were treated as prior period errors and amounted to R 412 225 (R 619 820 exchange, R - 207 595 non-exchange). The correction of consumer accounts resulted in an increase in the provision for bad debts. This increase amounted to R 50 237.

Management also revised the methodology for the impairment of consumer debtors. The change in methodology was retrospectively applied to the impairment provision calculations and resulted in prior period restatements amounting to R 30 392 861 (R 17 559 946 exchange, R 12 832 915 non-exchange). The updating of the methodology and accompanying impairment provsions in an increase in the *debt impairment* in the statement of financial performance. This increase amounted to R 30 392 861.

While preparing the annual financial statements for the year ending 30 June 2016, management also impaired receivables to provide for the possible non-collection of these *receivables from exchange transactions*. This provision was treated as a prior period error and amounted to R 11 022 326 affecting the financial performance and financial position.

In compiling the GRAP asset registers of Nketoana Local Municipality at the 2013/2014 year end, the asset consultant failed to include in the register all assets owned by the Municipality. The registers also incorrectly included assets not owned by the Municipality. Recently, the Municipality appointed a new asset consultant to correct omissions, duplications and overstatements in the asset registers with respect to current and prior periods. The financial statements of this year have been amended accordingly. The new asset registers required the following amendments to the prior period financial statements:
- Property, plant and equipment   R 430 759 744
- Heritage assets   R 529 800
- Intangible assets   R 47 032
- Investment property   R 5 760 957
- Depreciation and amortisation   R 10 557 219
- Public contributions   R 4 489 842

In 2013/2014 and 2014/2015 *petty cash* expenditure was incorrectly not recognised and resulted in overstated petty cash balances at yearend in 2013/2014 and 2014/2015. The corrections resulted in a decrease in the comparative petty cash balance amounting to R 89 348.

Notes to the Annual Financial Statements

53. Prior period errors (continued)

The municipality's VAT consultants proposed corrections to balances and transaction in prior periods. The corrections included incorrect declaration of Output Tax on grant income and incorrect Input Tax declarations on salaries and other expenditure. The corrections resulted in an increase in *grant income* (R 3 780 518) and other smaller movements in income and expenditure (an increase in *finance costs* amounting to R 243 924). The VAT receivable (R 1 763 881) and VAT payable (R 2 810 355) were also amended.

In the prior year the amount transferred to revenue from MFMG receipts was understated as it did not include the 2014 unspent portion. This was corrected in the current year and resulted in an increase in *grant income* and an increase in *contracted services* of R 709 324.

In the prior year the *Actuarial gains/losses* were included in the *Employee costs*. The correction of the classification resulted in a decrease in the *Employee costs* and an increase in *Actuarial gains/losses* amounting to R 708 000.

In 2015/2016 the provision for the rehabilitation of landfill sites was retrospectively adjusted based on the reports issued by the consulant. These retrospective adjustments resulted in an increase in the *provision* amounting to R 3 891 317 and an increase in *finance costs* amounting to R 330 775.

In the prior year the municipality accounted for one of the departments' *employee related costs* (telephone allowances) under general expenses. This was corrected in the current year and the restatement amounted to R 3 762.

The municipality corrected the accounting for inter-departmental *service charges* and this resulted in a prior year restatement amounting to R 1 634 000. The correction had the same financial effect (R 1 634 000) on *general expenses*.

Statement of financial position		
Consumer debtors	-	619 820
Consumer debtors	-	(17 559 946)
Receivables from exchange transactions	-	(11 022 326)
Receivables from exchange transactions	-	89 348
Receivables from non-exchange transactions	-	(207 595)
Receivables from non-exchange transactions	-	(12 832 915)
Cash and cash equivalents - petty cash	-	(89 348)
Investment property	-	5 760 957
Property, plant and equipment	-	430 759 744
Intangible assets	-	47 032
Heritage assets	-	529 800
VAT receivable	-	1 763 881
VAT payable	-	2 810 355
Provisions	-	(3 891 317)
Accumulated surplus	-	391 156 768
Statement of Financial Performance		
Service charges	-	(2 367 384)
Interest received - trading	-	(27 523)
Grant income	-	(4 489 842)
Other income	-	39 444
Property rates	-	203 934
Employee related costs	-	676 093
Depreciation	-	(10 557 219)
Finance costs	-	574 699
Debt impairment	-	11 072 563
Debt impairment	-	30 392 861
General expenses	-	1 630 836
Contracted services	-	709 324
Actuarial gains/losses	-	(708 000)

54. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and procedures for measuring and managing financial risks. Further quantitative disclosures are included in the annual financial statements.

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

The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the municipality's internal audit function.

The municipality monitors and manages the financial risks relating to the operations of the municipal entity through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:
- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

54. Risk management (continued)

Liquidity risk

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

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipality manages liquidity risk through ongoing review of commitments.

The municipality has started to improve the cash funds available. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality has not defaulted on payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the municipality's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

The table below analyses the municipality’s financial liabilities and net-settled derivative 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 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 349 442	1 486 713	4 460 141	5 327 390
Trade and other payables	166 025 279	-	-	-
Finance leases	181 599	467 740	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 486 713	1 486 713	4 460 141	6 814 103
Trade and other payables	113 956 318	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management reviews credit risk annually when the impairment and discounting of receivables are performed. Risk control mainly assesses the payment patterns of the consumers.

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

Financial instrument	2016	2015
Consumer debtors	17 708 530	15 822 490
Cash and cash equivalents	2 527 023	2 908 446
Receivables from non-exchange transactions	2 119 152	1 953 845
VAT receivable	1 763 881	1 763 881
Other financial assets	4 587 776	4 305 805

Market risk

54. Risk management (continued)

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change, since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.
Market risk consists of the following risks:

54. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipality's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:
- Call and notice deposits/investments
- Current bank accounts
- Interest charged on consumer receivables from exchange transactions overdue

The municipality's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the municipality.

Interest charged on customers' account and or received from investment are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these financial instruments.

Fair values
The municipality's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.
No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents
The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Investments
Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

Receivables from exchange transactions
The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables
The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans
Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	21 591 563	-	-	-	-

54. Risk management (continued)

Cash in current banking institutions	- %	6 792 526	-	-	-	-
Trade and other payables - extended credit terms	- %	155 737 056	-	-	-	-
Long-term borrowings (DBSA)	- %	647 280	7 806 024	-	-	-
Long-term borrowings (Grainfield Chickens)	10.50 %	702 162	-	-	-	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance leases	16.75 %	181 599	467 740	-	-	-

Capital risk

Capital risk refers to the risk that an entity will lose the amount of an investment. An investor takes on capital risk each time an investment is made in anything other than a risk-free security. Capital risk is limited to the amount an entity has invested.

Financial instrument		
VKB - Unlisted shares	5 000	5 000

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipality's financial instruments are affected by the whole sale price of electricity from ESKOM and water from the Department of Water Affairs.

55. Going concern

We draw attention to the fact that at 30 June 2016, the Municipality had a deficit for the year amounting to R 41 264 760 and that the municipality's current liabilities exceed its current assets.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality's current financial health however indicates that a material uncertainty exists as the municipality may not be able to realise its assets and discharge its liabilities.

At 30 June 2016 the Municipality’s current ratio was 0.4 to 1.0. The current ratio is a liquidity ratio that measures an entity's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the total assets of an entity (both liquid and illiquid) relative to that entity’s total liabilities. (Current Ratio = Current Assets / Current Liabilities)

The Municipality’s trade payables at yearend amounted to R 163 779 083. At R 99 407 396, the amount payable to Eskom accounts for more than 60% of the trade payable balance. During the 2015/2016 financial year management of Nketoana Local Municipality negotiated with Eskom via Provincial Treasury to arrange repayment of the outstanding balance over a 48 month term.

This and other arrangements with significant payables, strengthened the current ratio.

Management compiled a revenue enhancement strategy was approved by council. This strategy includes the collection of arrears via the prepaid electricity system; and termination, blocking or reduction of services due to non-payment.

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.

56. Unauthorised expenditure

Opening balance	119 025 672	113 663 904
Current year	62 703 108	5 361 768
	181 728 780	**119 025 672**

2016

The current year expenditure relates to expenditure incurred for which there was no budget or for expenditure which was incurred after the budget had been depleted.

Please refer to the Statement of Comparison of Budget and Actual Amounts on page 13 for more information on the unauthorised expenditure.

57. Fruitless and wasteful expenditure

Opening balance	10 518 819	3 669 302
Current year - interest on overdue accounts	9 209 824	6 849 517
	19 728 643	**10 518 819**

The current year fruitless and wasteful expenditure relates to interest and penalties on overdue submissions and accounts.

Details of fruitless and wasteful expenditure	2016 Interest on overdue accounts	2015 Interest on overdue accounts
Auditor-General	197 506	214 314
Eskom	8 476 824	6 342 295
Other suppliers	273 479	-
South African Revenue Services	262 016	292 908
	9 209 825	**6 849 517**

58. Irregular expenditure

Opening balance	95 612 995	69 434 069
Add: Irregular Expenditure - current year	8 674 311	26 178 926
	104 287 306	**95 612 995**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement and contract management	None	7 157 147
Car hire for mayor	None	160 500
Hiring of TLBs	None	1 356 664
		8 674 311

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	642 150	603 520
Amount paid - current year	(642 150)	(603 520)
Amount paid - previous years	(116 862)	-
	(116 862)	**-**

Contributions to organised local government consist of annual subscriptions paid to SALGA.

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

Material distribution losses

Electricity	4 831 751	6 933 182
Water	5 907 654	8 645 601
	10 739 405	**15 578 783**

Bulk water losses	Kiloliter	Percentage (%)
2016	662 293	19
2015	1 066 042	26
	1 728 335	**45**

Distribution losses - Water
The water losses are mainly due to metering inefficiencies, burst pipes and leaks in the reticulation network. In the current year the water losses were 19% (2015: 26%).

kL - units	662 293	1 066 042
Percentage	19%	26%

Distribution losses - Electricity
In the current year the energy losses were 6.44% (2015: 10.57%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

kWh - units	3 393 560	5 463 500
Percentage	6.44%	10.57%

The electricity distribution loss comprises of technical and non-technical losses. The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:
Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc.

Technical losses:
Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. Technical losses are inherent to the supply of electricity via lines and is further affected by the condition and age of the network, the weather conditions and load on the system. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution.

Audit fees

Opening balance	1 870 612	2 169 825
Current year subscription / fee	4 096 706	2 800 787
Amount paid - current year	(864 526)	(3 100 000)
	5 102 792	**1 870 612**

PAYE and UIF

Opening balance	-	620 308
Payable for the current year	10 045 688	9 026 045
Amount paid - current year	(10 045 688)	(9 646 353)
	-	**-**

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

Pension and Medical Aid Deductions

Opening balance	-	1 476 776
Payable for the current year	15 965 432	15 718 392
Amount paid - current year	(14 951 129)	(17 195 168)
	1 014 303	**-**

VAT

VAT receivable	1 763 881	1 763 881
VAT payable	13 545 356	18 376 667
	15 309 237	**20 140 548**

VAT output payables and VAT input receivables are shown in note 20.

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

Councillors' arrear consumer accounts

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

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mabizela, DL	-	2 293	2 293

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mosia, MJ	-	5 750	5 750
Radebe, TP	-	3 785	3 785
Semela, MS	-	4 198	4 198
	-	**13 733**	**13 733**

60. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9 155 466	9 968 351
	9 155 466	9 968 351
Cash set aside for the repayment of long-term liabilities	-	(1 200 000)
	9 155 466	**8 768 351**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Notes to the Annual Financial Statements

Figures in Rand

61. Deviation from supply chain management regulations

Deviations for the current year	841 605	2 771 125

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.

61. Deviation from supply chain management regulations (continued)

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The following are the deviation amounts and reasons:

R 48 815
Three quotations were obtained for repairs to a TLB. All three quotes exceeded R 30 000 and the repair was needed urgently.

R 43 890
The residents didn't have access to water and the work had to be done urgently to restore the access to water for the residents.

R 38 070
Truvelo is the only service provider based within the area that is able and has the necessary capacity to maintain and service Truvelos.

R 46 033
Only one quotation received from accredited laboratory. Compliance monitoring must be done monthly according to DWA and Sanitation.

R 165 309
Only one quotation received from accredited laboratory. Compliance monitoring must be done monthly according to DWA and Sanitation.

R 198 000

There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 41 615
Urgent unblocking was needed as sewage ended up on the roads.

R 52 500
There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 33 920
There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 31 850
New Vaal Motors is the only service provider in the area that is authorised to service and repair Mercedes Benz vehicles.

R 45 117
The tipper truck was needed urgently to deliver water.

R 40 230
The residents didn't have access to water and the repairs had to be done urgently restore the access to water.

R 56 256
A TLB was needed urgently to dig graves.

Nketoana Local Municipality
Appendix A

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2015 Rand	Interest charged during the period Rand	Repayments during the period Rand	Balance at Thursday, 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa								
DBSA Loan @ 10,35%	61000275		6 889 345	722 850	380 980	7 231 215	-	-
DBSA Loan @ 9,09%	61000276		1 153 660	129 056	60 625	1 222 091	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			8 043 005	**851 906**	**441 605**	**8 453 306**	**-**	**-**
Bonds			-	-	-	-	-	-
Other loans								
Grainfield Chickens (Pty) Ltd			1 925 550	133 816	1 357 203	702 163	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			1 925 550	**133 816**	**1 357 203**	**702 163**	**-**	**-**
Lease liability								
Nashua (raised in June 2016)			649 339	-	-	649 339	632 142	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Nketoana Local Municipality
Appendix A

Schedule of external loans as at 30 June 2016

	Loan Number	Redeemable	Balance at Tuesday, 30 June 2015 Rand	Interest charged during the period Rand	Repayments during the period Rand	Balance at Thursday, 30 June 2016 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			649 339	**-**	**-**	**649 339**	**632 142**	**-**
Annuity loans			**-**	**-**	**-**	**-**	**-**	**-**
Government loans			**-**	**-**	**-**	**-**	**-**	**-**
Total external loans			**10 617 894**	**985 722**	**1 798 808**	**9 804 808**	**632 142**	**-**

Nketoana Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts					Quarterly Expenditure				
	Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun
Equitable Share	33 552 000	-	25 087 000	21 400 000	-	-	33 552 000	25 087 000	-	21 400 000
MIG	7 381 000	-	9 296 000	7 956 000	-	-	7 381 000	9 296 000	7 956 000	-
MFMG	1 600 000	-	-	-	-	-	376 995	376 995	376 995	376 996
MSIG	930 000	-	-	-	-	-	232 500	232 500	232 500	232 500
EPWP	-	443 000	333 000	332 000	-	-	-	93 000	252 800	762 200
INEG	551 000	1 010 000	-	-	-	-	551 000	1 509 281	-	-
RBIG	-	6 608 160	12 636 515	9 445 409	4 481 322	-	6 608 160	12 636 515	9 445 409	4 481 322
LGSETA	141 640	-	-	-	-	-	141 640	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	44 155 640	8 061 160	47 352 515	39 133 409	4 481 322	-	48 843 295	49 231 291	18 263 704	27 253 018