



Kwa Sani Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2016

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	Kwasani Local Municipality
<b>Members of the Council</b>	
Mayor	Mr M. Banda
Councillors	Cllr V.P. Majozi Cllr S.B. Mqwambi Cllr P.N. Mncwabe Cllr E.Z. Radebe Cllr D. Adam Cllr P.R. Crawley (MPAC Chairperson)
<b>Grading of local authority</b>	Grade 1
<b>Chief Finance Officer (CFO)</b>	Mr K.B.M Mzimela
<b>Accounting Officer</b>	Mr N.C. Vezi
<b>Registered office</b>	Kwa Sani Local Municipality
<b>Business address</b>	32 Arbuckle Street Himeville 3256
<b>Postal address</b>	P.O Box 43 Himeville 3256
<b>Bankers</b>	First National Bank

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Index

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

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### Abbreviations

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

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibility and Approval

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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 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 re-determinations of municipal boundaries by the Municipal Demarcation Board came into effect on the date of the local government elections. The Minister of Cooperative Governance and Traditional Affairs has officially proclaimed that the 2016 local government elections take place on 3 August 2016. The boundary re-determinations that will come into effect on this date include 21 major re-determinations in 8 provinces.

This has resulted in the Kwa Sani Municipality merging with Ingwe Municipality. The resultant effect is that the municipality will continue under the newly operating establishment. This consolidation took place on 10 August 2016.

The annual financial statements set out on pages 8 to 61, which have been prepared on the going concern basis, were approved by the audit committee on 31 August 2016 and were signed on its behalf by:

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**Mr N.C. Vezi**  
Accounting Officer

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 *Restated
<b>Assets</b>			
Current Assets			
Inventories	5	-	6 485
Receivables from exchange transactions	7	169 524	305 534
Receivables from non-exchange transactions	7	798 779	210 050
Other receivables	7	328 411	1 024 603
Traffic fines and deposits	8	222 549	179 549
VAT receivable	9	646 491	568 541
Cash and cash equivalents	10	15 056 001	18 941 481
		<b>17 221 755</b>	<b>21 236 243</b>
Non-Current Assets			
Investment property	2	12 350 000	11 350 000
Property, plant and equipment	3	69 414 995	61 141 395
Intangible assets	4	130 934	187 193
		<b>81 895 929</b>	<b>72 678 588</b>
<b>Total Assets</b>		<b>99 117 684</b>	<b>93 914 831</b>
<b>Liabilities</b>			
Current Liabilities			
Borrowings - External loans	14	123 855	559 613
Finance lease obligation	12	233 503	193 163
Payables from exchange transactions	17	3 973 249	3 327 066
Payables from Non-exchange transactions	17	4 886 749	4 664 523
Consumer deposits	18	6 406	6 406
Unspent conditional grants and receipts	13	822 773	1 394 328
Provisions	15	4 888 558	2 509 867
Defined Benefit Plan Obligation	16	813 942	393 000
		<b>15 749 035</b>	<b>13 047 966</b>
Non-Current Liabilities			
Borrowings - External loans	14	-	310 733
Finance lease obligation	12	355 527	557 725
		<b>355 527</b>	<b>868 458</b>
<b>Total Liabilities</b>		<b>16 104 562</b>	<b>13 916 424</b>
<b>Net Assets</b>		<b>83 013 122</b>	<b>79 998 407</b>
Capital Replacement Reserve	11	582 658	582 658
Reserves			
Revaluation reserve	11	3 084 207	3 084 207
Accumulated surplus		79 346 257	76 331 542
<b>Total Net Assets</b>		<b>83 013 122</b>	<b>79 998 407</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 *Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	2 574 129	2 245 923
Learners licence fees		514 364	72 886
Rental income	46	458 762	342 382
Agency fees (motor Vehicle Licenses)		288 647	277 642
Other income		132 162	117 143
Building Plans		155 135	119 763
Interest received - investment	21	893 711	974 964
<b>Total revenue from exchange transactions</b>		<b>5 016 910</b>	<b>4 150 703</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	14 009 065	12 970 915
Property rates - penalties imposed	22	1 378 616	1 183 903
<b>Transfer and other revenue</b>			
Government grants & subsidies	23	30 870 555	27 354 708
Fines		88 750	98 100
<b>Total revenue from non-exchange transactions</b>		<b>46 346 986</b>	<b>41 607 626</b>
<b>Total revenue</b>	19	<b>51 363 896</b>	<b>45 758 329</b>
<b>Expenditure</b>			
Employee related costs	24	(19 236 599)	(17 382 027)
Remuneration of councillors	25	(1 879 623)	(1 701 231)
Depreciation and amortisation	26	(4 527 722)	(6 167 672)
Finance costs	27	(566 226)	(164 969)
Provision for Bad Debts movements	28	(3 195 366)	(2 990 244)
Repairs and maintenance	47	(1 793 942)	(1 924 730)
Contracted services	29	(7 843 986)	(4 886 617)
General Expenses	30	(9 838 084)	(10 071 510)
<b>Total expenditure</b>		<b>(48 881 548)</b>	<b>(45 289 000)</b>
<b>Operating surplus</b>		<b>2 482 348</b>	<b>469 329</b>
(Loss) gain on disposal of assets and liabilities		(59 206)	157 790
Actuarial Gain/(loss)		(401 942)	290 586
Fair value adjustments-Investment Properties	31	1 000 000	689 000
Inventories losses/write-downs		(6 485)	-
		<b>532 367</b>	<b>1 137 376</b>
<b>Surplus</b>		<b>3 014 715</b>	<b>1 606 705</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Capital Replacement Reserves	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>582 658</b>	<b>3 084 207</b>	<b>74 724 837</b>	<b>78 391 702</b>
Surplus for the year	-	-	1 606 705	1 606 705
Total changes	-	-	1 606 705	1 606 705
<b>Restated balance at 01 July 2015</b>	<b>582 658</b>	<b>3 084 207</b>	<b>76 331 542</b>	<b>79 998 407</b>
Surplus for the year	-	-	3 014 715	3 014 715
Total changes	-	-	3 014 715	3 014 715
<b>Balance at 30 June 2016</b>	<b>582 658</b>	<b>3 084 207</b>	<b>79 346 257</b>	<b>83 013 122</b>

Note(s)

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# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 *Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		18 205 284	16 400 741
Grants		30 299 000	27 354 708
Interest income		893 711	974 964
Other receipts		1 516 876	1 027 916
Movement in receivables		-	(1 037 313)
		<u>50 914 871</u>	<u>44 721 016</u>
<b>Payments</b>			
Employee costs		(20 329 985)	(18 852 276)
Suppliers		(20 191 516)	(16 837 489)
Finance costs		(566 226)	(164 969)
Movements in Payables		-	(6 373 347)
		<u>(41 087 727)</u>	<u>(42 228 081)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>9 827 144</u></b>	<b><u>2 492 935</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(12 799 596)	(8 409 576)
Proceeds from sale of property, plant and equipment	3	-	149 720
Purchase of other intangible assets	4	(4 680)	(126 130)
<b>Net cash flows from investing activities</b>		<b><u>(12 804 276)</u></b>	<b><u>(8 385 986)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings - external loans		(746 491)	(720 390)
Finance lease payments		(161 857)	(312 636)
<b>Net cash flows from financing activities</b>		<b><u>(908 348)</u></b>	<b><u>(1 033 026)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3 885 480)</b>	<b>(6 926 077)</b>
Cash and cash equivalents at the beginning of the year		18 941 481	25 867 558
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>15 056 001</u></b>	<b><u>18 941 481</u></b>



# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 727 000	-	2 727 000	2 574 129	(152 871)	94%
Licences and permits	442 310	-	442 310	514 364	72 054	116%
Rental income	349 990	-	349 990	458 762	108 772	131%
Other revenue	6 131 962	-	6 131 962	132 162	(5 999 800)	2%
Agency fees	269 824	-	269 824	288 647	18 823	107%
Building plans	197 334	-	197 334	155 135	(42 199)	79%
Interest received - investment	1 257 000	-	1 257 000	893 711	(363 289)	71%
<b>Total revenue from exchange transactions</b>	<b>11 375 420</b>	<b>-</b>	<b>11 375 420</b>	<b>5 016 910</b>	<b>(6 358 510)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	14 004 494	-	14 004 494	14 009 065	4 571	100%
Property rates - penalties imposed	1 412 909	-	1 412 909	1 378 616	(34 293)	98%
<b>Transfer revenue</b>						
Government grants & subsidies	21 536 000	-	21 536 000	30 870 555	9 334 555	143%
Fines, Penalties and Forfeits	43 900	-	43 900	88 750	44 850	202%
<b>Total revenue from non-exchange transactions</b>	<b>36 997 303</b>	<b>-</b>	<b>36 997 303</b>	<b>46 346 986</b>	<b>9 349 683</b>	
<b>Total revenue</b>	<b>48 372 723</b>	<b>-</b>	<b>48 372 723</b>	<b>51 363 896</b>	<b>2 991 173</b>	
<b>Expenditure</b>						
Personnel	(18 163 660)	-	(18 163 660)	(19 236 599)	(1 072 939)	106%
Remuneration of councillors	(2 014 000)	-	(2 014 000)	(1 879 623)	134 377	93%
Depreciation and amortisation	(3 871 000)	-	(3 871 000)	(4 527 722)	(656 722)	117%

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
Finance costs	(268 323)	-	(268 323)	(566 226)	(297 903)	211%
Debt impairment	(131 695)	-	(131 695)	(3 195 366)	(3 063 671)	2426%
Repairs and maintenance	(2 093 716)	-	(2 093 716)	(1 793 942)	299 774	83%
Contracted Services	(7 792 765)	-	(7 792 765)	(7 843 986)	(51 221)	100%
General Expenses	(14 036 097)	-	(14 036 097)	(9 838 084)	4 198 013	71%
<b>Total expenditure</b>	<b>(48 371 256)</b>	<b>-</b>	<b>(48 371 256)</b>	<b>(48 881 548)</b>	<b>(510 292)</b>	
<b>Operating surplus</b>	<b>1 467</b>	<b>-</b>	<b>1 467</b>	<b>2 482 348</b>	<b>2 480 881</b>	
Loss on disposal of assets and liabilities	-	-	-	(59 206)	(59 206)	100%
Acturial gain or (loss)	-	-	-	(401 942)	(401 942)	100%
Fair value adjustments	-	-	-	1 000 000	1 000 000	100%
Inventories losses/write-downs	-	-	-	(6 485)	(6 485)	100%
	-	-	-	532 367	532 367	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 467</b>	<b>-</b>	<b>1 467</b>	<b>3 014 715</b>	<b>4 049 419</b>	

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
VAT receivable	819 900	-	819 900	646 491	(173 409)	79%
Receivables from exchange transactions	185 000	-	185 000	169 524	(15 476)	92%
Receivables from non-exchange transactions	3 898 000	-	3 898 000	798 779	(3 099 221)	20%
Other receivables	1 064 600	-	1 064 600	328 411	(736 189)	31%
Traffic fines and deposits	243 500	-	243 500	222 549	(20 951)	91%
Cash and cash equivalents	20 053 154	-	20 053 154	15 056 001	(4 997 153)	75%
	<b>26 264 154</b>	<b>-</b>	<b>26 264 154</b>	<b>17 221 755</b>	<b>(9 042 399)</b>	
<b>Non-Current Assets</b>						
Investment property	11 350 000	-	11 350 000	12 350 000	1 000 000	109%
Property, plant and equipment	67 000 000	-	67 000 000	69 414 995	2 414 995	104%
Intangible assets	117 000	-	117 000	130 934	13 934	112%
	<b>78 467 000</b>	<b>-</b>	<b>78 467 000</b>	<b>81 895 929</b>	<b>3 428 929</b>	
<b>Total Assets</b>	<b>104 731 154</b>	<b>-</b>	<b>104 731 154</b>	<b>99 117 684</b>	<b>(5 613 470)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities (borrowings)	278 970	-	278 970	123 855	(155 115)	44%
Finance lease obligation	274 254	-	274 254	233 503	(40 751)	85%
Payables from exchange transactions	2 112 251	-	2 112 251	3 973 249	1 860 998	188%
Taxes and transfers payable (non-exchange)	4 886 749	-	4 886 749	4 886 749	-	100%
Consumer deposits	6 406	-	6 406	6 406	-	100%
Unspent conditional grants and receipts	1 500 000	-	1 500 000	822 773	(677 227)	55%

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
Provisions	1 196 000	-	1 196 000	4 888 558	3 692 558	409%
Distributions payable	393 000	-	393 000	813 942	420 942	207%
	<b>10 647 630</b>	-	<b>10 647 630</b>	<b>15 749 035</b>	<b>5 101 405</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	314 776	-	314 776	355 527	40 751	113%
<b>Total Liabilities</b>	<b>10 962 406</b>	-	<b>10 962 406</b>	<b>16 104 562</b>	<b>5 142 156</b>	
<b>Net Assets</b>	<b>93 768 748</b>	-	<b>93 768 748</b>	<b>83 013 122</b>	<b>(10 755 626)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Reserves	3 749 346	-	3 749 346	3 666 865	(82 481)	98%
Accumulated surplus	90 019 402	-	90 019 402	79 346 257	(10 673 145)	88%
<b>Total Net Assets</b>	<b>93 768 748</b>	-	<b>93 768 748</b>	<b>83 013 122</b>	<b>(10 755 626)</b>	

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates, penalties & collection charges	15 149 000	-	15 149 000	16 070 472	921 472	106%
Service charges	2 345 383	-	2 345 383	2 134 812	(210 571)	91%
Grants	29 066 000	-	29 066 000	30 299 000	1 233 000	104%
Interest income	1 291 973	-	1 291 973	893 711	(398 262)	69%
Other revenue	2 597 745	-	2 597 745	1 516 875	(1 080 870)	53%
	<b>50 450 101</b>	<b>-</b>	<b>50 450 101</b>	<b>50 914 870</b>	<b>464 769</b>	
<b>Payments</b>						
Suppliers & employees	(44 100 246)	-	(44 100 246)	(40 521 500)	3 578 746	93%
Finance costs	(268 323)	-	(268 323)	(566 226)	(297 903)	211%
	<b>(44 368 569)</b>	<b>-</b>	<b>(44 368 569)</b>	<b>(41 087 726)</b>	<b>3 280 843</b>	
<b>Net cash flows from operating activities</b>	<b>6 081 532</b>	<b>-</b>	<b>6 081 532</b>	<b>9 827 144</b>	<b>3 745 612</b>	

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Budget adjustments (i.t.o. s28 & s31 of the MFMA)	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Actual amounts as % of final budget [Note 50]
Figures in Rand						
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(10 319 900)	-	(10 319 900)	(12 799 595)	(2 479 695)	121%
Purchase of other intangible assets	-	-	-	(4 680)	(4 680)	100%
<b>Net cash flows from investing activities</b>	<b>(10 319 900)</b>	<b>-</b>	<b>(10 319 900)</b>	<b>(12 804 275)</b>	<b>(2 484 375)</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings - external loans	(752 776)	-	(752 776)	(746 491)	6 285	99%
Finance lease payments	-	-	-	(161 858)	(161 858)	100%
<b>Net cash flows from financing activities</b>	<b>(752 776)</b>	<b>-</b>	<b>(752 776)</b>	<b>(908 349)</b>	<b>(155 573)</b>	
Net increase/(decrease) in cash and cash equivalents	(4 991 144)	-	(4 991 144)	(3 885 480)	1 105 664	78%
Cash and cash equivalents at the beginning of the year	25 044 000	-	25 044 000	18 941 481	(6 102 519)	76%
<b>Cash and cash equivalents at the end of the year</b>	<b>20 052 856</b>	<b>-</b>	<b>20 052 856</b>	<b>15 056 001</b>	<b>(4 996 855)</b>	
<b>Reconciliation</b>						

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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.

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

A summary of the significant accounting policies, 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

The re-determinations of municipal boundaries by the Municipal Demarcation Board came into effect on the date of the local government elections. The Minister of Cooperative Governance and Traditional Affairs has officially proclaimed that the 2016 local government elections take place on 3 August 2016. The boundary re-determinations that will come into effect on this date include 21 major re-determinations in 8 provinces.

This has resulted in the Kwa Sani Municipality merging with Ingwe Municipality. The resultant effect is that the municipality will continue under the newly operating establishment. This consolidation took place 10 August 2016.

#### 1.3 Comparative information

##### Basis of comparison

Budget information in accordance with GRAP 1 and 24, has been provided in the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

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

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

#### Allowance for doubtful debts

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

### 1.5 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,
- sale in the ordinary course of operations, or
- to meet service delivery objectives.

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.

The cost of self-constructed investment property is the cost at date of completion.

#### Subsequent measurement - Fair value model

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 surplus or deficit for the period in which it arises.

### 1.6 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, to meet service delivery objectives, 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.



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### 1.6 Property, plant and equipment (continued)

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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and restoring the site on which it is located.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Property, plant and equipment is subsequently carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

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Item	Average useful life
Infrastructure	
• Roads and Paving	10-25 yrs
• Pedestrian Malls	10-25 yrs
• Sewerage	10-25 yrs
Community	
• Buildings	20-30 yrs
• Recreational Facilities	20-30 yrs
• Security	20-30 yrs
• Halls	20-30 yrs
• Libraries	20-30 yrs
• Parks and Gardens	20-30 yrs
• Other Assets	20-30 yrs
Heritage Assets	
• Buildings	30 yrs
Finance Leased Assets	
• Office Equipment	3-5 yrs
• Other Assets	3-5 yrs

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### 1.6 Property, plant and equipment (continued)

Other Property, Plant and Equipment

• Specialised Vehicles	2-15 yrs
• Other Vehicles	2-15 yrs
• Office Equipment	2-15 yrs
Landfill Sites	10-20 yrs

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount). It is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Position.

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.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software,

licences, and development costs. An intangible asset is recognised only 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.

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Expenditure on research is recognised as an expense when it is incurred. An intangible asset arising from development is only capitalised to the extent that:

- The municipality intends to complete the intangible assets for use or sale;
- It is technically feasible to complete the intangible asset;
- The municipality has the resources to complete the project; and
- It is probable that the municipality will receive future economic benefits or service potential.

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

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired by the municipality 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 can not be determined, it's deemed cost is the carrying amount of the asset(s) given up.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and any changes are recognised as a change in accounting estimates in the Statement of Financial Position.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Position.

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

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### 1.7 Intangible assets (continued)

Item	Useful life
Computer software, other	3-5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset 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.

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

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### 1.8 Financial instruments (continued)

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

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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### 1.8 Financial instruments (continued)

- 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.

#### 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.

# Kwa Sani Local Municipality

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### 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.

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### 1.8 Financial instruments (continued)

#### 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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments, the municipality uses the interest rate that exactly discount the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the state accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.

#### Municipality as lessee

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

#### Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivables is reduced by the capital portion of the lease instalment received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to leave receivables.

# Kwa Sani Local Municipality

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### 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 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.11 Employee benefits

#### Short-term employee benefits

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

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



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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Defined contribution plans

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

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

#### Retirement benefits

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

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

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

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, and a provision for restructuring is recognised, 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.

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### 1.12 Provisions and contingencies (continued)

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 35.

### 1.13 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable

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 calculated on a time proportion basis.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to a customer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.14 Revenue from non-exchange transactions

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

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

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.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

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.

#### 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. VAT is accounted for on payment basis.

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

### 1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.16 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.

### 1.17 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.

### 1.18 Irregular expenditure

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

### 1.19 Related parties

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

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

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

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

### 1.20 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.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.21 Commitments

Capital commitments disclosed in the notes to the annual financial statements represent the balance committed to capital projects as at the reporting date, which will be incurred in the period subsequent to the specific reporting period.

### 1.22 New accounting standards issued but not yet effective

The Municipality has not early adopted the following standards:

GRAP 20	- Related Party Disclosures
GRAP 32	- Service Concession Arrangements: Grantor
GRAP 108	- Statutory Receivables
GRAP 109	- Accounting by Principles and Agents
IGRAP 17	- Service Concession Arrangements where a Grantor controls a significant residual interest in an asset.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
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### 2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12 350 000	-	12 350 000	11 350 000	-	11 350 000

#### Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	11 350 000	1 000 000	12 350 000

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	10 661 000	689 000	11 350 000

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.

Investment property are valued annually by the municipal valuer.

### 3. 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	10 905 000	-	10 905 000	10 905 000	-	10 905 000
Buildings	4 960 674	(969 791)	3 990 883	4 960 674	(773 280)	4 187 394
Plant and machinery	724 075	(405 204)	318 871	652 175	(275 529)	376 646
Furniture and fixtures	474 309	(209 685)	264 624	427 762	(110 662)	317 100
Motor vehicles	3 268 312	(1 710 943)	1 557 369	2 560 270	(1 015 713)	1 544 557
Office equipment	2 483 878	(1 620 178)	863 700	2 480 271	(1 051 517)	1 428 754
Computer	494 857	(240 055)	254 802	407 342	(94 738)	312 604
Infrastructure	49 082 737	(14 096 253)	34 986 484	38 795 845	(12 520 054)	26 275 791
Community	17 392 458	(3 366 695)	14 025 763	16 841 894	(2 750 656)	14 091 238
Work in Progress	2 247 499	-	2 247 499	1 702 311	-	1 702 311
<b>Total</b>	<b>92 033 799</b>	<b>(22 618 804)</b>	<b>69 414 995</b>	<b>79 733 544</b>	<b>(18 592 149)</b>	<b>61 141 395</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	10 905 000	-	-	-	-	-	10 905 000
Buildings	4 187 394	-	-	-	(196 511)	-	3 990 883
Plant and machinery	376 645	71 900	-	-	(129 674)	-	318 871
Furniture and fixtures	317 100	46 547	-	-	(99 023)	-	264 624
Motor vehicles	1 544 557	708 041	-	-	(600 634)	(94 595)	1 557 369
Office Equipment	1 428 755	3 607	-	-	(568 662)	-	863 700
Computer Equipment	312 604	87 514	-	-	(145 316)	-	254 802
Infrastructure	26 275 791	431 392	(59 205)	10 354 840	(2 016 334)	-	34 986 484
Community	14 091 238	90 003	-	460 564	(616 042)	-	14 025 763
Work in Progress	1 702 311	11 360 592	-	(10 815 404)	-	-	2 247 499
	<b>61 141 395</b>	<b>12 799 596</b>	<b>(59 205)</b>	<b>-</b>	<b>(4 372 196)</b>	<b>(94 595)</b>	<b>69 414 995</b>

There are no projects that were delayed.

No property, plant and equipment is pledged as securities for liabilities.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Restatement	Restated opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	10 905 000	-	10 905 000	-	-	-	-	-	10 905 000
Buildings	4 095 000	-	4 095 000	-	-	251 511	(159 117)	-	4 187 394
Plant and machinery	231 216	141 331	372 547	68 831	-	-	(64 732)	-	376 646
Furniture and fixtures	192 119	22 077	214 196	163 024	-	-	(60 120)	-	317 100
Motor vehicles	1 200 316	437 485	1 637 801	399 443	(49 140)	-	(443 547)	-	1 544 557
Office equipment	1 108 478	637 844	1 746 322	59 647	-	-	(370 005)	(7 210)	1 428 754
Computer Equipment	151 179	15 113	166 292	217 086	-	-	(64 886)	(5 888)	312 604
Infrastructure	25 028 420	(526 912)	24 501 508	-	-	6 543 757	(1 692 785)	(3 076 689)	26 275 791
Community	12 746 616	(167 848)	12 578 768	-	-	2 278 420	(565 784)	(200 166)	14 091 238
Work in Progress	3 274 759	31 100	3 305 859	7 470 140	-	(9 073 688)	-	-	1 702 311
	<b>58 933 103</b>	<b>590 190</b>	<b>59 523 293</b>	<b>8 378 171</b>	<b>(49 140)</b>	<b>-</b>	<b>(3 420 976)</b>	<b>(3 289 953)</b>	<b>61 141 395</b>

There are no projects that were delayed

During the current financial year, the municipality reviewed the estimated useful lives of fully depreciated assets that are still in use and the change in useful life has been accounted as correction of prior period and disclosed as such in Note 37. The reassessment of useful lives of assets amounted to R1 253 850.

No property, plant and equipment is pledged as securities for liabilities.



# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
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### 3. Property, plant and equipment (continued)

#### Subsequent measurement - Revaluation Model (Land and Buildings)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the reporting date less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except that it reverses a decrease in revaluation of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land and buildings were revalued in 2013 by an independent valuer based on observable prices in an active market or recent market transactions on arm's length terms. The municipality revalues its land and buildings every 5 years as required by the Municipal Property Rates Act.

### 4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	224 079	(93 145)	130 934	219 399	(32 206)	187 193

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	187 193	4 680	(60 939)	130 934

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer Software	76 894	126 130	5 727	(21 558)	187 193

The amount of R5 727 for "other changes, movements" is a result of re-assessments of useful lives of assets that had nil values in current and previous years.

### 5. Inventories

Finished goods	6 485	6 485
Inventories (write-downs)	(6 485)	-
	-	6 485

### 6. Financial instruments

#### Designated at amortised cost

#### Financial assets

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>6. Financial instruments (continued)</b>		
Receivables from Exchange Transactions	169 524	305 534
Receivables from Non-Exchange Transactions	798 778	210 049
Other Receivables	328 410	1 024 603
Cash and cash equivalents	15 056 002	18 941 481
	<b>16 352 714</b>	<b>20 481 667</b>
<b>Financial liabilities</b>		
Finance lease obligation	233 503	193 163
Payables from exchange transactions	3 973 249	3 327 066
Consumer deposits	6 406	6 406
	<b>4 213 158</b>	<b>3 526 635</b>
<p>In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date on which the credit was initially granted up to the reporting date. The concentration of credit risk is limited, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.</p> <p>No financial assets were pledged as a security for financial liabilities. No financial assets that would otherwise been impaired whose terms were renegotiated.</p>		
<b>7. Receivables</b>		
<b>Gross balances</b>		
Rates	14 455 161	11 923 358
Refuse	1 832 904	1 393 587
Other	1 104 999	1 144 622
	<b>17 393 064</b>	<b>14 461 567</b>
<b>Less: Allowance for impairment</b>		
Rates	13 656 382	11 713 309
Refuse	1 663 380	1 088 054
Other	776 588	120 019
	<b>16 096 350</b>	<b>12 921 382</b>
<b>Net balance</b>		
Rates	798 779	210 049
Refuse	169 524	305 534
Other	328 411	1 024 603
	<b>1 296 714</b>	<b>1 540 186</b>
<b>Rates</b>		
Current (0 -30 days)	7 927	14 046
31 - 60 days	562 291	490 176
61 - 90 days	403 909	309 581
91 - 120 days	352 073	252 728
121 - 365 days	13 128 961	10 856 827
	<b>14 455 161</b>	<b>11 923 358</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>7. Receivables (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	670	124 245
31 - 60 days	138 155	68 704
61 - 90 days	89 232	58 930
91 - 120 days	74 263	53 656
121 - 365 days	1 530 585	1 088 053
	<b>1 832 905</b>	<b>1 393 588</b>
<b>Other</b>		
Current (0 -30 days)	17 591	18 444
31 - 60 days	9 433	8 694
61 - 90 days	9 433	8 694
91 - 120 days	9 433	8 694
121 - 365 days	1 059 014	1 100 096
	<b>1 104 904</b>	<b>1 144 622</b>
<b>Ageing per category</b>		
<b>Government</b>		
Current (0 -30 days)	9 433	-
31 - 60 days	12 935	23 076
61 - 90 days	12 928	14 136
91 - 120 days	12 678	14 211
121 - 365 days	629 394	135 184
	<b>677 368</b>	<b>186 607</b>
<b>Business</b>		
31 - 60 days	156 570	172 447
61 - 90 days	116 521	93 591
91 - 120 days	102 395	67 065
121 - 365 days	5 867 399	4 926 717
	<b>6 242 885</b>	<b>5 259 820</b>
<b>Households</b>		
Current (0 -30 days)	12 002	-
31 - 60 days	374 888	310 719
61 - 90 days	241 851	187 729
91 - 120 days	204 444	164 608
121 - 365 days	6 086 798	5 165 267
	<b>6 919 983</b>	<b>5 828 323</b>
<b>Other</b>		
Current (0 -30 days)	4 752	-
31 - 60 days	165 486	140 669
61 - 90 days	131 273	91 524
91 - 120 days	116 253	74 468
121 - 365 days	3 135 060	2 880 156
	<b>3 552 824</b>	<b>3 186 817</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>7. Receivables (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	12 921 382	10 095 524
Contributions to allowance	3 174 965	2 825 858
	<b>16 096 347</b>	<b>12 921 382</b>

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

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date on which the credit was initially granted up to the reporting date. The concentration of credit risk is limited, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Other Receivables include Councillors Debt amounting to R188 552 (2015 restated: R652 516). The debt relates to overpayment of salaries to 5 councillors from 2006 - 2012. R463 964 of the debt has been impaired in 2016 as this portion of the debt belongs to 3 former councillors whose contracts ended after the 2011 elections.

Other Receivables for 2015 has been restated from R1 117 539 to R1 024 603. This is due to an error that was made in calculating the amount of Councillors Debt included in Other Receivables. The Councillors Debt was restated from R745 453 to R652 516.

### 8. Traffic Fines and deposits

Petrol deposits	32 600	32 600
Electricity deposits	13 449	13 449
Receivables from non-exchange revenue - Traffic fines	268 350	204 950
Provision for doubtful debts - Traffic fines	(91 850)	(71 450)
	<b>222 549</b>	<b>179 549</b>

The municipality paid a deposit for a credit facility with a local garage for refueling of its vehicles.

### 9. VAT receivable

VAT	646 491	568 541
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The municipality submits VAT returns monthly to SARS. The amount is in relation to unpaid returns submitted.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 123	6 488
Bank balances	15 047 878	18 934 993
	<b>15 056 001</b>	<b>18 941 481</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015  
\*Restated

### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank-Primary Account-620262224999	1 377 010	196 065	3 897 130	1 377 010	196 065	3 458 818
First National Bank-Cheque Account-62026225046	-	778 936	775 872	-	778 936	775 872
Standard Bank-Business Cheque-0520700336	81 456	82 778	84 042	81 456	82 778	84 042
FNB-Business Cheque - 6219248045	3 399 113	2 598 300	2 583 428	3 399 113	2 598 300	2 583 428
FNB-Business Cheque-62282061169	1 487 637	1 287 287	1 122 767	1 487 637	1 287 287	1 122 767
FNB-Business Cheque-62235619197	2 554 986	6 938 351	5 534 574	2 554 986	6 938 351	5 534 574
FNB-Business Cheque-62098069175	47 303	45 312	118 094	47 303	45 312	118 094
NEDCOR BANK-9010975386	580 047	545 293	514 684	580 047	545 293	514 684
Standard bank-Business Cheque-458459445	10 817	10 401	9 647	10 817	10 401	9 647
Investec-Business account-125677550	240 133	227 460	216 954	240 133	227 460	216 954
FNB-Business Cheque-62090279029	857 077	817 412	784 399	857 077	817 412	784 399
FNB-Business Cheque-62116486087	583 227	968 760	929 653	583 227	968 760	929 653
FNB-Business Cheque-62092759326	-	-	7 378	-	-	7 378
FNB-Business Cheque-62192429928	207 810	198 865	191 428	207 810	198 865	191 428
FNB-Business Cheque-62088816677	206 804	197 200	190 440	206 804	197 200	190 440
FNB-Business Cheque-62248698930	112 182	75 492	31 781	112 182	75 492	31 781
FNB-Business Cheque-62301101424	492 747	22 093	83 417	492 747	22 093	83 417
FNB-Business Cheque-62304523782	213 340	203 414	270 042	213 340	203 414	270 042
FNB-Business Cheque-62134476672	356 652	340 095	326 391	356 652	340 095	326 391
FNB-Business Cheque-62272463937	-	3 020	3 048	-	3 020	3 048
FNB-Business Cheque-62106118997	6 641	34 316	33 147	6 641	34 316	33 147
FNB-Business Cheque-62090278956	314 834	69 555	227 323	314 834	69 555	227 323
FNB-Business Cheque-62106118624	234 535	87 426	115 960	234 535	87 426	115 960
FNB-Business Cheque-62195706208	897 182	1 754 916	3 317 409	897 182	1 754 916	3 317 409
FNB-Business Cheque-62278574241	16 563	16 140	15 976	16 563	16 140	15 976
FNB-Business Cheque-622374192161	124 227	322 336	395 566	124 227	322 336	395 566
FNB-Business Cheque-Reichena Mission-62333916453	127 089	237 713	1 625 856	127 089	237 713	1 625 856
FNB-Business Cheque-62331463191	64 195	442 852	2 478 017	64 195	442 852	2 478 017

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>10. Cash and cash equivalents (continued)</b>		
FNB-Business Cheque-Long	454 268	433 206
Service Award-62416044759	415 750	454 268
<b>Total</b>	<b>15 047 875</b>	<b>18 934 994</b>
<b>11. Revaluation reserve</b>		
Opening balance	3 084 207	3 084 207
<b>11.1 Capital Replacement Reserves</b>		
Revaluation surplus beginning of period	582 658	582 658
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	294 959	231 923
- in second to fifth year inclusive	355 527	557 725
	650 486	789 648
less: future finance charges	(61 456)	(38 760)
<b>Present value of minimum lease payments</b>	<b>589 030</b>	<b>750 888</b>
<b>Present value of minimum lease payments due</b>		
- within one year	233 503	193 163
- in second to fifth year inclusive	355 527	557 725
	589 030	750 888
Non-current liabilities	355 527	557 725
Current liabilities	233 503	193 163
	589 030	750 888
<p>The average lease term was 5 years and the average effective borrowing rate was 9% (2015: 9%).</p> <p>Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.</p>		
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Development and Planning Grant	-	20 861
Sisonke Grant	-	103 635
DBSA Grant	-	35 045
Arts and Culture-Library	217 396	253 890
MPRA Grant	-	39 850
SDF Grant	-	39 417
EPWP	-	54 414
Sports Grant	93 049	225 491
Anti-Corruption Grant	171 343	171 343
GIS Grant	292 621	292 621
Bookkeeping Grant	-	109 397
PMS Grant	48 364	48 364
	<b>822 773</b>	<b>1 394 328</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>13. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	1 394 328	2 868 035
Additions during the year	30 299 000	25 881 001
Income recognition during the year	(30 870 555)	(27 354 708)
	<b>822 773</b>	<b>1 394 328</b>

The government grants recognised in the annual financial statements are grants received from National Treasury, Provincial Treasury and Harry Gwala District Municipality.

Unspent grants are rolled forward to the following period upon approval from the donor.

### 14. Other financial liabilities

#### Designated at fair value

Bank loan (Short-term/current portion)	123 855	559 613
Bank loan (Long-term/non-current portion)	-	310 733
	<b>123 855</b>	<b>870 346</b>

#### Investments ceded as security

No investments are ceded as security as at 30 June 2016. The Development Bank of South Africa (DBSA) loan was fully paid off during the period under review. (2015: The Municipality used investments with FNB and Investec amounting to R671 923 as security for the long term loan from Development Bank of South Africa (DBSA). The outstanding balance of the loan as at 30 June 2015 was R625 272.84)

#### Non-current liabilities

Designated at fair value	-	310 733
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#### Current liabilities

Designated at fair value	123 855	559 613
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# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
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### 15. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Staff Leave Provisions	1 134 910	149 638	-	1 284 548
Other Provision	-	2 233 236	-	2 233 236
Provisions for 13th Cheque	1 374 957	-	(4 183)	1 370 774
	<b>2 509 867</b>	<b>2 382 874</b>	<b>(4 183)</b>	<b>4 888 558</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Provisions for Staff Leave	999 524	135 386	-	1 134 910
Other Provisions	221 720	-	(221 720)	-
Provisions for 13th Cheque	1 279 360	95 597	-	1 374 957
	<b>2 500 604</b>	<b>230 983</b>	<b>(221 720)</b>	<b>2 509 867</b>

#### Provision for staff leave

The provision for staff leave relates to the amount that the municipality would have to pay should the employee leaves the municipality before exhausting the annual leave. It is calculated based on the number of days the employee have at the reporting date.

#### Other Provision

Claim for damages and enforceability of contract. The Municipality contended that a contract concluded with the Community Watch was void because no procurement process was followed when the Community Watch was appointed. The Supreme Court of Appeal ruled in favour of Community Watch however the costs have to be agreed at the arbitration. Based on Court rulings the municipality would have to pay the outstanding amount in terms of the contract and then negotiate the settlement amount for interest. It has been agreed in Council and in CMCs that the municipality would have to pay the outstanding capital amount with immediate effect while waiting for the final decision from the arbitration.

Included in other provision is the amount that the municipality have to pay to the Licencing Supervisor who was suspended and won the case in the Bargaining Council. The municipality was ordered to pay the said amount within 14 days from the receipt of the outcome of the case.

#### Provision for 13th Cheque

Is the pro-rata bonuses for municipal employees at the 30 June 2016 to be paid to employees before the end of the following year.

### 16. Distributions payable - Defined Benefit Plan Obligation

Opening balance	393 000	569 825
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	420 942	(176 825)
	<b>813 942</b>	<b>393 000</b>



# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>17. Payables from exchange transactions</b>		
Payments received in advanced - contract in process	1 182 464	1 368 525
Sundry payables	282 790	669 667
Retention Creditors	943 265	577 747
Payments Received in Advance	635 739	557 754
Accruals	905 257	151 573
Sundry Creditors	23 734	1 800
	<b>3 973 249</b>	<b>3 327 066</b>
<b>Payables from non-exchange transactions</b>		
Housing Grant	4 886 749	4 664 523
<b>18. Consumer deposits</b>		
Deposits	6 406	6 406
Consumer deposits relate to the rental deposit paid by Harry Gwala District Municipality for rent of the administration block offices. The deposit is refundable.		
<b>19. Revenue</b>		
Service charges	2 574 129	2 245 923
Licences and permits	514 364	72 886
Rental income	458 762	342 382
Agency fees -Motor Vehicle Licencing	288 647	277 642
Other income	132 162	117 143
Building Plans	155 135	119 763
Interest received - investment	893 711	974 964
Property rates	14 009 065	12 970 915
Property rates - penalties imposed	1 378 616	1 183 903
Government grants & subsidies	30 870 555	27 354 708
Fines	88 750	98 100
	<b>51 363 896</b>	<b>45 758 329</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	2 574 129	2 245 923
Licences and permits	514 364	72 886
Rental income	458 762	342 382
Agency fees (motor Vehicle Licenses)	288 647	277 642
Other income	132 162	117 143
Building Plans	155 135	119 763
Interest received - investment	893 711	974 964
	<b>5 016 910</b>	<b>4 150 703</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>19. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
Property rates	14 009 065	12 970 915
Property rates - penalties imposed	1 378 616	1 183 903
<b>Transfer and other revenue</b>		
Government grants & subsidies	30 870 555	27 354 708
Fines, Penalties and Forfeits	88 750	98 100
	<b>46 346 986</b>	<b>41 607 626</b>
<b>20. Service charges</b>		
Refuse removal	2 574 129	2 245 923
<b>21. Investment revenue</b>		
<b>Interest revenue</b>		
Interest on Investments	893 711	974 964
<b>22. Property rates</b>		
<b>Rates received</b>		
Rates levied	22 399 093	20 935 725
Less: Income forgone	(8 390 028)	(7 964 810)
	14 009 065	12 970 915
Property rates - penalties imposed	1 378 616	1 183 903
	<b>15 387 681</b>	<b>14 154 818</b>
<b>Valuations</b>		
Residential	713 480 000	710 321 000
Commercial	2 302 684 000	2 294 828 000
State	548 196 000	548 196 000
Municipal	26 311 000	26 311 000
	<b>3 590 671 000</b>	<b>3 579 656 000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Valuations of Commercial, State and Municipal properties as at 30/06/2015 have been restated, due to incorrect allocations between the classes in the prior year. The total value of the properties is correct and has not been restated.

Rates are levied on an annual basis with the final date for payment being 31 October 2015. Interest at 18% per annum (2015: 18%) and a collection fee of 10% (2015: 10%), is levied on rates outstanding two months after due date.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	15 076 000	13 627 000
MFMG Grant	1 800 000	1 800 000
MSIG Grant	930 000	934 000
EPWP Grant	1 054 414	1 100 983
Development Grant	260 861	-
Capacity Building	74 515	-
DBSA Grant	35 045	-
SDF Grant	39 417	66 000
Corridor Development	-	1 357 303
MPRA Grant	39 850	-
Arts and Culture Grant	759 494	636 944
Sports Grant	132 442	113 187
Free Services Grant	-	196 807
Animal Pound Grant	-	44 484
Waste Disposal Site	29 120	-
Bookkeeping Grant	109 397	-
	<b>20 340 555</b>	<b>19 876 708</b>
<b>Capital grants</b>		
MIG Grant	10 530 000	7 478 000
	<b>30 870 555</b>	<b>27 354 708</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
In terms of the Division of Revenue Act an amount of R15 076 000 was gazetted to be received. The full amount was received.		
<b>Free Basic Electricity</b>		
Balance unspent at beginning of year	-	56 190
Conditions met - transferred to revenue	-	(56 190)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>FMG Grants</b>		
Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>MIG Grants</b>		
Current-year receipts	10 530 000	7 478 000
Conditions met - transferred to revenue	(10 530 000)	(7 478 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>23. Government grants and subsidies (continued)</b>		
<b>MSIG Grants</b>		
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>EPWP ( Expanded Public Works)</b>		
Balance unspent at beginning of year	54 414	74 397
Current-year receipts	1 000 000	1 081 000
Conditions met - transferred to revenue	(1 054 414)	(1 100 983)
	-	54 414
Conditions still to be met - remain liabilities (see note 13).		
<b>Cogta Grant</b>		
Balance unspent at beginning of year	-	1 357 303
Conditions met - transferred to revenue	-	(1 357 303)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Free Basic Services</b>		
Balance unspent at beginning of year	-	140 617
Conditions met - transferred to revenue	-	(140 617)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>KZN Provincial Administration Grant</b>		
Balance unspent at beginning of year	1 196 429	1 098 153
Current-year receipts	963 000	961 000
Conditions met - transferred to revenue	(1 336 656)	(862 724)
	822 773	1 196 429
Conditions still to be met - remain liabilities (see note 13).		
The KZN Provincial Administration Grant includes Art & Culture grant, PMS, SDF, Sports, DBSA, Development grant, Bookkeeping grant, GIS grant and Anti-corruption grant.		
<b>Harry Gwala Grant-capacity building</b>		
Balance unspent at beginning of year	74 515	74 515
Conditions met - transferred to revenue	(74 515)	-
	-	74 515
Conditions still to be met - remain liabilities (see note 13).		

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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Figures in Rand	2016	2015 *Restated
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### 23. Government grants and subsidies (continued)

#### Harry Gwala Grant- Waste Disposal Site

Balance unspent at beginning of year	29 120	29 120
Conditions met - transferred to revenue	(29 120)	-
	<hr/>	<hr/>
	-	29 120

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

#### MPRA Grant

Balance unspent at beginning of year	39 850	39 850
Conditions met - transferred to revenue	(39 850)	-
	<hr/>	<hr/>
	-	39 850

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

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>24. Employee related costs</b>		
Basic	13 000 300	12 182 026
Bonus	878 923	946 912
Medical aid - company contributions	515 632	460 976
UIF	111 981	106 657
SDL	156 210	145 340
Other payroll levies	7 141	6 780
Leave pay provision charge	369 478	174 051
Travel, motor car, accommodation, subsistence and other allowances	1 073 141	823 476
Overtime payments	935 872	841 413
Long-service awards	-	45 011
13th Cheques	-	95 597
Acting allowances	142 406	67 599
Housing benefits and allowances	61 084	65 179
Interest for long service bonus	-	68 750
Back Pay	291 188	54 426
Pension Fund Contributions	1 390 963	1 282 929
Cellphone Allowances	5 904	6 701
Long Service Bonus	-	8 204
Workman's compensation	296 376	-
	<b>19 236 599</b>	<b>17 382 027</b>

### Remuneration of municipal manager

Annual Remuneration	520 745	837 572
Acting Allowance	103 616	-
Performance Bonuses	-	42 785
Contributions to UIF, Medical and Pension Funds	5 818	11 166
Back Pay	24 958	18 136
Subsistence Allowance	83 918	39 390
	<b>739 055</b>	<b>949 049</b>

The Municipal Manager has been acting from April 2016 up to the date (9 August 2016) of establishment of a new municipality.

### Remuneration of chief finance officer

Annual Remuneration	441 845	501 426
Car Allowance	172 211	195 433
Performance Bonuses	-	39 933
Contributions to UIF, Medical and Pension Funds	8 817	10 129
Housing Allowance	34 442	39 087
Annual Bonus	57 195	39 933
Subsistence Allowance	51 153	33 445
Backpay	24 925	16 081
Cellphone	5 904	6 700
Leave paid	88 875	-
	<b>885 367</b>	<b>882 167</b>

The Chief Financial Officer resigned in April 2016.

### Remuneration Community Services Manager

Annual Remuneration	536 626	494 614
Annual Bonuses	44 648	40 709
Contributions to UIF, Medical and Pension Funds	97 876	89 221

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>24. Employee related costs (continued)</b>		
Subsistence Allowance	17 044	17 434
Back Pay	5 842	-
Housing Allowance	6 517	6 264
	<b>708 553</b>	<b>648 242</b>
<b>Corporate Services Manager</b>		
Annual Remuneration	534 390	502 543
Performance Bonuses	-	25 671
Contributions to UIF, Medical and Pension Funds	7 847	7 851
Subsistence Allowance	60 635	73 721
Backpay	14 975	10 882
	<b>617 847</b>	<b>620 668</b>
<b>25. Remuneration of Councillors and Mayor</b>		
Mayor	-	-
Normal Salary	368 218	343 986
Back Pay	-	18 655
Cellphone Allowance	24 468	18 363
Total	392 686	381 004
Councillors	-	-
Councillors Allowances	1 058 811	949 249
Back Pay	103 198	70 277
Travel and Motor allowances	178 120	190 519
Cellphone Allowance	146 808	110 181
Total	1 486 937	1 320 226
	<b>1 879 623</b>	<b>1 701 230</b>
There are no in kind benefits that were awarded to the Mayor.		
<b>26. Depreciation, impairment and amortisation</b>		
Property, plant and equipment	4 466 784	6 140 387
Intangible assets	60 938	27 285
	<b>4 527 722</b>	<b>6 167 672</b>
<b>27. Finance costs</b>		
Interest Paid	566 226	164 969
<b>28. Debt impairment</b>		
Contributions to debt impairment provision	3 174 966	2 918 794
Debts impaired	20 400	71 450
	<b>3 195 366</b>	<b>2 990 244</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>29. Contracted services</b>		
Information Technology Services	618 623	645 727
Fleet Services	23 020	14 493
Operating Leases	1 345 865	1 008 724
Specialist Services	3 202 235	798 492
Other Contractors-Fire services	856 143	896 917
Removal Fees	904 712	854 262
Security	590 000	441 562
Valuation Fees	303 388	226 440
	<b>7 843 986</b>	<b>4 886 617</b>

Reclassification of prior year amounts has been made and is shown in note 48 of the AFS.

### 30. General expenses

Advertising	564 982	256 246
Assessment rates & municipal charges	61 413	-
Auditors remuneration	1 137 408	896 552
Bank charges	57 704	50 786
Computer expenses	8 656	7 791
Consulting and professional fees	1 112 681	1 584 713
Consumables	123 168	112 991
SALGA subscription	500 000	458 333
Indigent Support Services	138 127	-
Ward Committee Expense	432 924	630 579
Discount Allowed	39 151	43 420
Hire	7 000	-
Community development and training	-	583 492
Pauper Burials Costs	16 902	28 880
Lease rentals on operating lease	16 802	22 053
Vehicle Lease	43 640	266 392
Street Lighting	249 872	187 892
Fuel and oil	658 356	605 707
Postage and courier	20 281	29 806
Printing and stationery	183 016	178 450
Protective clothing	27 513	32 391
Small Tools	10 757	9 375
Staff welfare	31 240	-
Subscriptions and membership fees	4 827	3 099
Telephone and fax	2 371	3 702
Training	1 594 874	1 320 723
Travel - local	1 467 182	1 433 663
Refuse	27 871	23 937
Water	60 341	102 939
Uniforms	69 085	23 163
Furniture and Equipment expenses	28 087	5 057
Sundries	141 292	77 366
Catering Expenses	364 018	272 897
Conferences	199 984	233 718
Deeds	5 072	2 456
Basic Services	191 570	178 856
Electricity	239 917	404 085
	<b>9 838 084</b>	<b>10 071 510</b>

Reclassification of prior year amounts has been made and is shown in note 48 of the AFS.



# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>31. Fair value adjustments</b>		
Investment property (Fair value model)	1 000 000	689 000
<b>32. Auditors' remuneration</b>		
Fees	1 137 408	896 552
<b>33. Cash generated from operations</b>		
Surplus	3 014 715	1 606 705
<b>Adjustments for:</b>		
Depreciation and amortisation	4 527 722	6 167 672
Gain/Loss on sale of assets and liabilities	59 206	(157 790)
Actuarial Gain/Loss	401 942	(290 586)
Fair value adjustments	(1 000 000)	(689 000)
Finance costs - Finance leases	566 226	164 969
Interest income	(893 711)	(2 158 857)
Movement in provision for doubtful debtors	3 174 969	2 897 307
Movements in provisions	2 378 691	9 263
Other non-cash items	346 491	(555 660)
<b>Changes in working capital:</b>		
Inventories	6 485	-
Receivables from exchange and non-exchange transactions	(2 971 119)	1 547 498
Other receivables from non-exchange transactions	39 623	(5 000)
Payables from exchange & non-exchange transactions	868 409	(4 700 979)
VAT	(77 950)	246 087
Traffic fines and deposits	(43 000)	-
Unspent conditional grants and receipts	(571 555)	(1 473 707)
Defined Plan Obligation	-	(176 825)
	<b>9 827 144</b>	<b>2 431 097</b>
<b>34. Capital Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	1 670 599	1 902 929

The amount for commitments includes VAT.

### 35. Contingencies

#### The Phonebook Company (Pty) Ltd

This is a claim for services allegedly rendered. The Phone Book Company is claiming money from the Municipality for services, but it appears that they cannot substantiate that the service were actually rendered. The case started in 2014/2015 and Phonebook Company has failed to provide proof that the alleged services were rendered. The municipality did not receive any follow up from The Phonebook Company in 2015/2016 regarding this claim. The value of the claim for the above matter is R 100 000.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>36. Related parties</b>		
<b>Relationships</b>		
District Municipality		Harry Gwala District Municipality
<b>Related party transactions</b>		
<b>Rentals of Premises</b>		
Harry Gwala District Municipality	162 365	144 969
<b>37. Prior period errors</b>		
<b>Property, Plant and Equipment</b>		
The initial cost of eNhlanhleni road was not derecognised when it was reconstructed in 2013. The initial cost and the related portion of accumulated depreciation had to be reversed.		
Costs relating to seating areas were recognised at the incorrect amount and duplicated in 2013. The duplicated cost and the related portion of the accumulated depreciation had to be reversed, and the incorrect amount and its portion of accumulated depreciation had to be corrected. WIP was under stated by one Invoice of R 31 100 for Upgrading of Trading Stalls in Underberg Taxi Rank.		
<b>Other Receivables</b>		
Councillors were overpaid from 2006 to 2012, resulting in debt that is repayable to the municipality. The amount owed to the municipality was initially calculated incorrectly, and a journal had to be processed to correct the balance.		
<b>Accumulated depreciations</b>		
Useful life of fully depreciated assets was reviewed and the effect resulted to in a restatement of prior period accumulated depreciation by R1 259 587.		
<b>Reclassification of expenses in general expenditure</b>		
The following expenditure has been reclassified to relevant votes to classify expenses according to the nature of expenses method rather than the function of expenses method. The reclassification resulted in the increase of Contracted services and Repairs and maintenance and decrease in the general expenses:		
<ul style="list-style-type: none"><li>• Grant expenditure (2015: R2 344 341)</li><li>• Special and youth programmes (2015: R733 180)</li><li>• Contracted Services (2015 : R 528 997)</li><li>• Repairs and maintenance (2015 : R 314 258)</li><li>• Tourism development (2015: R157 045)</li><li>• Local economic development (2015: R393 879)</li></ul>		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Property, plant and equipment	-	564 818
Sundry debtors	-	(92 937)
Work in Progress	-	31 100
<b>Statement of Financial Performance</b>		
Depreciation	-	1 259 578
Impairment of assets	-	(694 760)
Provision for bad debts movements	-	(92 937)
General expenses	-	(812 155)
Repairs and maintenance	-	314 258
Contracted services	-	528 997

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
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### 38. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the Municipality. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The Municipality provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the long term portion of borrowings which is classified as non-current.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Not later than one year	123 855	559 613
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#### Maximum credit risk Exposure

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash, direct payment or using major credit cards.

#### Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. At year end, financial instruments exposed to interest rate risk were as follows:

- DBSA	-	625 273
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### 39. Events after the reporting date

#### Allegations of mal-administration by licencing supervisor

The Department of Transport accused the licencing supervisor at the Municipality of mal-administration in 2014 and the employee was suspended. The employee lost the case in June 2016 and appealed to the South African Local Government Bargaining Council, after which she won the case in July 2016 (after year-end). The municipality has to re-instate the employee and pay retrospective salaries amounting to R225 016.74 to the employee.

#### Going concern

The re-determinations of municipal boundaries by the Municipal Demarcation Board come into effect on the date of the local government elections. The Minister of Cooperative Governance and Traditional Affairs has officially proclaimed that the 2016 local government elections will take place on 3 August 2016. The boundary re-determinations that will come into effect on this date include 21 major re-determinations in 8 provinces.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>39. Events after the reporting date (continued)</b>		
This has resulted in the Kwa Sani Municipality merging with Ingwe Municipality. The resultant effect is that the municipality will continue under the newly operating establishment. This consolidation took place on 10 August 2016.		
<b>40. Unauthorised expenditure</b>		
Opening Balance	9 071 761	9 071 761
Unauthorised expenditure current year	6 361 574	7 362 552
Approved by Council or Condoned	-	(7 362 552)
<b>Unauthorised expenditure awaiting authorisation</b>	<b>15 433 335</b>	<b>9 071 761</b>
Unauthorised expenditure current year is made up of R 3 063 671 for debt Impairment, Finance cost of R 297 903 and MIG additional funding of R 3 million.		
<b>41. Fruitless and wasteful expenditure</b>		
Opening Balance	862 415	862 415
Fruitless and wasteful expenditure current year	2 029 789	2 696
Fruitless and wasteful expenditure condoned	-	(2 696)
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>2 892 204</b>	<b>862 415</b>
Incident-Disciplinary steps/criminal proceedings The fruitless and wasteful expenditure relates to penalty charges on liabilities owed by the municipality but not settled on time.		
<b>42. Irregular expenditure</b>		
Opening balance	26 294 842	21 593 993
Add: Irregular Expenditure - current year	1 418 426	4 700 849
Less: Amounts condoned	-	-
	<b>27 713 268</b>	<b>26 294 842</b>
<b>43. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	500 000	500 000
Amount paid - current year	(458 333)	(500 000)
	<b>41 667</b>	<b>-</b>
<b>Audit fees</b>		
Current year subscription / fee	1 137 408	895 051
Amount paid - current year	(1 136 738)	(895 051)
<b>Balance unpaid (included in payables)</b>	<b>670</b>	<b>-</b>
<b>PAYE, SDL and UIF</b>		
Current year subscription / fee	2 775 497	2 518 644
Amount paid - current year	(2 775 497)	(2 518 644)
	<b>-</b>	<b>-</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
<b>43. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	1 906 595	1 743 904
Amount paid - current year	(1 906 595)	(1 743 904)
	-	-
<b>VAT</b>		
VAT receivable	646 491	568 541
All VAT returns have been submitted by the due date throughout the year.		
<b>Supply chain management Deviations</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager. The expenses incurred as listed hereunder have been condoned.		
<b>Incident</b>		
Deviations during the year as per SCM which relates to sole suppliers and emergencies and also relates to service providers which the municipality has accounts with.	991 343	1 053 396
<b>44. Awards to close family members of persons in the service of the state</b>		
The municipality made awards to close family members of the following persons employed by the municipality:		
<ul style="list-style-type: none"><li>• ST Khawula (Traffic Officer): R45 000</li><li>• SR Zondi (Driver): R98 790</li></ul>		
<b>45. Employee benefit obligations</b>		
<b>Defined Contribution plan</b>		
All municipal employees belong to The Natal Joint Municipal Pension Fund (Superannuation) and The Natal Joint Municipal Pension Fund (Retirement) which are administered by the Province.		
These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.		
Municipal employees are also members of the KwaZulu Natal Municipal Provident Fund. All contributions have been included in the employee related cost note.		
<b>Long Service Awards</b>		
Independent valuers, actuarial consulting, carried out a statutory valuation on an annual basis The principal actuarial assumptions used were as follows:		
<b>Movements in the defined benefit obligation is as follows:</b>		
Opening balance	393 000	569 825
Expected return	(57 000)	68 750
Actuarial gains (losses)	401 942	(290 586)
Contributions by employer	76 000	45 011
	<b>813 942</b>	<b>393 000</b>

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015 *Restated
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### 45. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	- %	16,00 %
Discount rates used	8,68 %	12,00 %
Expected rate of return on assets	- %	10,00 %
Expected rate of return on reimbursement rights	- %	2,00 %
Actual return on reimbursement rights	- %	- %

The amounts recognised in the Statement of Financial Position were determined as follows:

Plan Obligation	813 942	393 000
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#### In conclusion

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

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

The total economic entity contribution to such schemes	813 942	393 000
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The amount recognised as an expense for defined contribution plans is	401 942	(290 586)
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### 46. Rental of facilities and equipment

Investment property	458 762	342 282
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No expenditure was incurred relating to investment property.

### 47. Repairs and maintenance

Office building	181 252	16 179
Building and structures	-	51 282
Equipment	25 604	6 194
Vehicles	264 268	205 241
Dump	121 820	65 400
Tractor and trailers	47 573	93 956
Roads	956 353	1 294 316
Taxi rank	-	11 470
Community halls and sportfields	197 072	180 692
	<b>1 793 942</b>	<b>1 924 730</b>

Reclassification of prior year amounts has been made and is shown in note 48 of the AFS.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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Figures in Rand

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### 48. Reclassification of comparative expenditure

Comparative amount of the following expenditure has been reclassified to relevant votes to classify expenses according to the nature of expenses method rather than the function of expenses method:

- Grant expenditure: (2015: R2 344 341)
- Special and youth programmes: (2015: R733 180)
- Local economic development: (2015: R393 879)
- Tourism programmes: (2015: R157 045)
- Contracted Services (2015 : R 528 997)
- Repairs and maintenance (2015 : R 314 258)

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Reclassification of comparative expenditure (continued)

#### Special and Youth programmes

Amount as per prior year AFS	-	733 180
Repairs and maintenance	-	(4 973)
Hire	-	(97 579)
Travel local	-	(233 472)
Conferences	-	(77 900)
Capacity building	-	(18 340)
Fuel and oil	-	(3 000)
Subscriptions	-	(300)
Advertising	-	(33 150)
Catering expenses	-	(208 167)
Community development & training	-	(56 299)
	-	-

#### Local Economic Development

Amount as per prior year AFS	-	393 879
Repairs and maintenance	-	(44 265)
Travel local	-	(2 500)
Capacity building	-	(88 377)
Advertising	-	(14 460)
Hire	-	(11 600)
Catering expenses	-	(20 431)
Sundry	-	(490)
Community development & training	-	(211 756)
	-	-

#### Tourism Development

Amount as per previous year AFS	-	157 045
Travel local	-	(20 060)
Capacity Building	-	(21 977)
Catering expenses	-	(15 441)
Advertising	-	(79 207)
Hire	-	(20 360)
	-	-

#### Grant expenditure

Amount as per previous year AFS	-	2 344 341
Repairs and maintenance	-	(265 016)
Protective clothing	-	(27 643)
Consumables	-	(4 958)
Contracted services - Information Technology Services	-	(520 997)
Training	-	(50 570)
Community development & training	-	(583 491)
Consulting and professional services	-	(891 666)
	-	-

#### Contracted services

Amount as per previous year AFS	-	4 357 620
Grant Expenditure	-	520 997
Special and youth programs	-	8 000
	-	4 886 617

#### Repairs and Maintenance

Amount as per previous year AFS	-	1 610 476
Grant Expenditure	-	265 016



# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Reclassification of comparative expenditure (continued)

Special and youth programs	-	4 973
Local Economic Development	-	44 266
	-	<u>1 924 731</u>

### 49. Change in accounting estimate

The municipality reassessed the useful lives of property, plant and equipment which resulted in certain intangible and infrastructure assets' remaining useful lives to change. The effect of the change in accounting estimate has resulted in an increase in depreciation and amortisation amounting to R468 955.25 in the current period and an increase amounting to R790 622.75 in future periods.

### 50. Budget differences

#### Material differences between budget and actual amounts

#### Financial Performance

#### Revenue from exchange transactions - Licences and Permits

Learners' licences budget was under stated as it is the first full year after the opening of the Learners Licence centre.

#### Revenue from exchange transactions - Rental Income

Recovery of unbudgeted rental income from one of state institutions.

#### Revenue from exchange transactions - Other Revenue

Amount for recognised rolled-over grants reported as operational grants whilst budgeted on other income and delay on transfer of Skills Development Levy Grant that was budgeted to be received in the current year.

#### Revenue from exchange transactions - Interest revenue - Investments

Increase on grant spending for roll-over grants which has resulted in the decrease on investment and interest on investments.

#### Revenue from non-exchange transactions - Property rates - Penalties imposed

Delay on appointment of Attorney to assist with Debt Collection as the result of merger which has resulted in non-raising of 10% collection charge on accounts handed over to Attorney for Debt Collection.

#### Transfer revenue - Government grants & Subsidies

Amount for recognised rolled-over budgeted on other income.

#### Transfer revenue - Fines, penalties and forfeits

Fines were under budgeted on assumptions that the number of ours to be worked by Traffic Officers on Law Enforcement would be reduced as they also work as Examiners in the Licencing centre.

#### Expenditure - Debts Impairment

Delay in settlement of debt for one of the major debtors and delay in the appointment of Attorney to assist with Debt Collection as the result of the merger.

#### Expenditure - Finance costs

Unbudgeted Finance cost relating to the case between the Municipality and Community Watch which has taken more than two years to be finalised.

#### Expenditure - Contracted services

Items that were incorrectly budgeted on contracted services instead of general expenses which has been reported on General expenses.

# Kwa Sani Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 50. Budget differences (continued)

#### Expenditure - General expenditure

Delay on transfer of Skills Development Levy.

#### Financial Position

#### Current Assets - Consumer Debtors

Increase in impairment as a result of delays in settlement of debt for one of the major debtors and delay in the appointment of Attorney to assist with Debt Collection as the result of the merger.

#### Current Assets - Vat Receivable

Vat receivable was over-budgeted.

#### Current Assets - Cash and Cash equivalents

Delay in settlement of debt for one of the major debtors and delay in the appointment of Attorney to assist with Debt Collection as the result of the merger.

#### Current Liabilities - Other financial liabilities (borrowings)

Early settlement of DBSA Loan.

#### Current Liabilities - Payables from exchange transactions

Payment of creditors in terms of MFMA and the result of proper implementation of procurement plans.

#### Current Liabilities - Unspent conditional grants and receipts

Decrease on the balance of unspent grants as a result of increase on expenditure for roll-over grants.

#### Current Liabilities - Provisions

Under budgeting of provisions and delay on the finalisation of case between the municipality and Community Watch.

#### Non-Current Liabilities - Finance lease obligation

Non-current finance lease obligation was under-budgeted.

#### Reserves - Accumulated surplus

Delay in settlement of debt for one of the major debtors and delay in the appointment of Attorney to assist with Debt Collection as the result of the merger.

#### Cash flow

#### Cash flows from operating activities - Receipts - Interest income

Increase on grant spending for roll-over grants which has resulted in the decrease on investment and interest on investments.

#### Cash flows from operating activities - Receipts - Other revenue

Amount for recognised rolled-over grants reported as operational grants whilst budgeted on other income and delay on transfer of Skills Development Levy Grant that was budgeted to be received in the current year.

#### Cash flows from operating activities - Payments - Suppliers & employees

Delays on the transfer of MTDG and Skills Development Grant which has resulted in the postponement of other programs.

#### Cash flows from operating activities - Payments - Finance costs

Unbudgeted Finance cost relating to the case between the Municipality and Community Watch which has taken more than two years to be finalised.

#### Cash flows from investing activities - Purchase of property, plant and equipment

19% above the Final Budget relates to MIG Additional funding received by the municipality towards the end of quarter three.

#### Cash flows from financing activities - Repayment of other financial liabilities

Early settlement of DBSA Loan.

## Appendix A

### Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>PPE Loan (Motor Vehicles)</b>							
First National Bank 9.85% (Prime +1.35)		245 073	-	121 218	123 855	80 838	-
		<b>245 073</b>	<b>-</b>	<b>121 218</b>	<b>123 855</b>	<b>80 838</b>	<b>-</b>
<b>Government loans</b>							
DBSA Loan @ 5%		625 273	-	625 273	-	-	-
		<b>625 273</b>	<b>-</b>	<b>625 273</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>							
PPE Loan (Motor Vehicles)		245 073	-	121 218	123 855	80 838	-
Government loans		625 273	-	625 273	-	-	-
		<b>870 346</b>	<b>-</b>	<b>746 491</b>	<b>123 855</b>	<b>80 838</b>	<b>-</b>

## Appendix B

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	10 905 000	-	-	-	-	-	10 905 000	-	-	-	-	-	-	10 905 000
Buildings	4 960 674	-	-	-	-	-	4 960 674	(773 280)	-	-	(196 511)	-	(969 791)	3 990 883
	<b>15 865 674</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 865 674</b>	<b>(773 280)</b>	<b>-</b>	<b>-</b>	<b>(196 511)</b>	<b>-</b>	<b>(969 791)</b>	<b>14 895 883</b>
<b>Infrastructure</b>														
Roads	36 547 676	104 000	(499 340)	10 682 232	-	-	46 834 568	(10 994 399)	440 134	-	(1 938 048)	-	(12 492 313)	34 342 255
Storm water	883 479	-	-	-	-	-	883 479	(237 864)	-	-	(48 171)	-	(286 035)	597 444
Transfer station	1 364 691	-	-	-	-	-	1 364 691	(1 287 795)	-	-	(30 115)	-	(1 317 910)	46 781
Work in progress	1 702 317	11 360 593	-	(10 815 404)	-	-	2 247 506	-	-	-	-	-	-	2 247 506
	<b>40 498 163</b>	<b>11 464 593</b>	<b>(499 340)</b>	<b>(133 172)</b>	<b>-</b>	<b>-</b>	<b>51 330 244</b>	<b>(12 520 058)</b>	<b>440 134</b>	<b>-</b>	<b>(2 016 334)</b>	<b>-</b>	<b>(14 096 258)</b>	<b>37 233 986</b>
<b>Community Assets</b>														
Halls, Bus shelter and Sitting area	16 841 896	550 565	-	-	-	-	17 392 461	(2 750 655)	-	-	(616 058)	-	(3 366 713)	14 025 748
	<b>16 841 896</b>	<b>550 565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 392 461</b>	<b>(2 750 655)</b>	<b>-</b>	<b>-</b>	<b>(616 058)</b>	<b>-</b>	<b>(3 366 713)</b>	<b>14 025 748</b>

## Appendix B

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

	Cost/Revaluation						Accumulated depreciation						Carrying value Rand	
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand		Closing Balance Rand
<b>Other assets</b>														
Office Equipment	2 480 271	3 607	-	-	-	-	2 483 878	(1 051 517)	-	-	(568 652)	-	(1 620 169)	863 709
Computer Equipment	407 343	87 514	-	-	-	-	494 857	(94 738)	-	-	(145 317)	-	(240 055)	254 802
Furniture and Fittings	427 762	46 547	-	-	-	-	474 309	(110 662)	-	-	(99 023)	-	(209 685)	264 624
Motor Vehicles	2 560 271	708 041	-	-	-	-	3 268 312	(1 015 714)	-	-	(600 634)	(94 595)	(1 710 943)	1 557 369
Plant and Equipment	652 175	71 900	-	-	-	-	724 075	(275 535)	-	-	(129 666)	-	(405 201)	318 874
	<b>6 527 822</b>	<b>917 609</b>	-	-	-	-	<b>7 445 431</b>	<b>(2 548 166)</b>	-	-	<b>(1 543 292)</b>	<b>(94 595)</b>	<b>(4 186 053)</b>	<b>3 259 378</b>

## Appendix B

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

Cost/Revaluation						Accumulated depreciation						
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	15 865 674	-	-	-	-	-	<b>15 865 674</b>	(773 280)	-	-	(196 511)	-	<b>(969 791)</b>	14 895 883
Infrastructure	40 498 163	11 464 593	(499 340)	(133 172)	-	-	<b>51 330 244</b>	(12 520 058)	440 134	-	(2 016 334)	-	<b>(14 096 258)</b>	37 233 986
Community Assets	16 841 896	550 565	-	-	-	-	<b>17 392 461</b>	(2 750 655)	-	-	(616 058)	-	<b>(3 366 713)</b>	14 025 748
Other assets	6 527 822	917 609	-	-	-	-	<b>7 445 431</b>	(2 548 166)	-	-	(1 543 292)	(94 595)	<b>(4 186 053)</b>	3 259 378
	<b>79 733 555</b>	<b>12 932 767</b>	<b>(499 340)</b>	<b>(133 172)</b>	-	-	<b>92 033 810</b>	<b>(18 592 159)</b>	<b>440 134</b>	-	<b>(4 372 195)</b>	<b>(94 595)</b>	<b>(22 618 815)</b>	<b>69 414 995</b>
<b>Total</b>	<b>79 733 555</b>	<b>12 932 767</b>	<b>(499 340)</b>	<b>(133 172)</b>	-	-	<b>92 033 810</b>	<b>(18 592 159)</b>	<b>440 134</b>	-	<b>(4 372 195)</b>	<b>(94 595)</b>	<b>(22 618 815)</b>	<b>69 414 995</b>

## Appendix B

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	10 905 000	-	-	-	-	-	10 905 000	-	-	-	-	-	-	10 905 000
Buildings	4 709 163	-	-	251 511	-	-	4 960 674	(614 163)	-	-	(159 117)	-	(773 280)	4 187 394
	<b>15 614 163</b>	<b>-</b>	<b>-</b>	<b>251 511</b>	<b>-</b>	<b>-</b>	<b>15 865 674</b>	<b>(614 163)</b>	<b>-</b>	<b>-</b>	<b>(159 117)</b>	<b>-</b>	<b>(773 280)</b>	<b>15 092 394</b>
<b>Infrastructure</b>														
Roads	30 003 920	-	-	6 543 756	-	-	36 547 676	(6 588 965)	-	-	(1 580 378)	(2 825 056)	(10 994 399)	25 553 277
Storm water	883 479	-	-	-	-	-	883 479	(193 690)	-	-	(44 174)	-	(237 864)	645 615
Transfer station	1 364 691	-	-	-	-	-	1 364 691	(967 925)	-	-	(68 235)	(251 635)	(1 287 795)	76 896
Work in progress	3 305 864	7 470 140	-	(9 073 687)	-	-	1 702 317	-	-	-	-	-	-	1 702 317
	<b>35 557 954</b>	<b>7 470 140</b>	<b>-</b>	<b>(2 529 931)</b>	<b>-</b>	<b>-</b>	<b>40 498 163</b>	<b>(7 750 580)</b>	<b>-</b>	<b>-</b>	<b>(1 692 787)</b>	<b>(3 076 691)</b>	<b>(12 520 058)</b>	<b>27 978 105</b>
<b>Community Assets</b>														
Halls, Bus shelter and Sitting areas	14 563 476	-	-	2 278 420	-	-	16 841 896	(1 984 706)	-	-	(565 784)	(200 165)	(2 750 655)	14 091 240
	<b>14 563 476</b>	<b>-</b>	<b>-</b>	<b>2 278 420</b>	<b>-</b>	<b>-</b>	<b>16 841 896</b>	<b>(1 984 706)</b>	<b>-</b>	<b>-</b>	<b>(565 784)</b>	<b>(200 165)</b>	<b>(2 750 655)</b>	<b>14 091 240</b>

## Appendix B

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Other assets

Office Equipment	2 420 625	59 646	-	-	-	-	2 480 271	(1 312 146)	-	637 844	(370 005)	(7 210)	(1 051 517)	1 428 754
Computer Equipment	190 255	217 088	-	-	-	-	407 343	(39 076)	-	15 113	(64 887)	(5 888)	(94 738)	312 605
Furniture & fittings	264 739	163 023	-	-	-	-	427 762	(72 619)	-	22 077	(60 120)	-	(110 662)	317 100
Motor Vehicles	2 510 843	399 444	(350 016)	-	-	-	2 560 271	(1 310 528)	300 876	437 485	(443 547)	-	(1 015 714)	1 544 557
Plant and Equipment	583 340	68 835	-	-	-	-	652 175	(352 133)	-	141 331	(64 733)	-	(275 535)	376 640
	<b>5 969 802</b>	<b>908 036</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 527 822</b>	<b>(3 086 502)</b>	<b>300 876</b>	<b>1 253 850</b>	<b>(1 003 292)</b>	<b>(13 098)</b>	<b>(2 548 166)</b>	<b>3 979 656</b>



## Appendix B

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	15 614 163	-	-	251 511	-	-	<b>15 865 674</b>	(614 163)	-	-	(159 117)	-	<b>(773 280)</b>	15 092 394
Infrastructure	35 557 954	7 470 140	-	(2 529 931)	-	-	<b>40 498 163</b>	(7 750 580)	-	-	(1 692 787)	(3 076 691)	<b>(12 520 058)</b>	27 978 105
Community Assets	14 563 476	-	-	2 278 420	-	-	<b>16 841 896</b>	(1 984 706)	-	-	(565 784)	(200 165)	<b>(2 750 655)</b>	14 091 240
Other assets	5 969 802	908 036	(350 016)	-	-	-	<b>6 527 822</b>	(3 086 502)	300 876	1 253 850	(1 003 292)	(13 098)	<b>(2 548 166)</b>	3 979 656
	<b>71 705 395</b>	<b>8 378 176</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79 733 555</b>	<b>(13 435 951)</b>	<b>300 876</b>	<b>1 253 850</b>	<b>(3 420 980)</b>	<b>(3 289 954)</b>	<b>(18 592 159)</b>	<b>61 141 395</b>
<b>Total</b>	<b>71 705 395</b>	<b>8 378 176</b>	<b>(350 016)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79 733 555</b>	<b>(13 435 951)</b>	<b>300 876</b>	<b>1 253 850</b>	<b>(3 420 980)</b>	<b>(3 289 954)</b>	<b>(18 592 159)</b>	<b>61 141 395</b>