

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality
Members of the Executive committee	
Chairperson	Councillor TMH Mofokeng
MMC for community services	Councillor MA Noosi
MMC for public works and rural development	Councillor TJ Seekane
MMC for corporate services	Councillor PP Mokoena
MMC for human settlement	Councillor AL Rakhothule - Mkwanaasi
MMC for local economic development and tourism	Councillor CC Harrington
MMC for finance	Councillor MJ Tshabalala
MMC for IDP, performance management and monitoring	Councillor TJ Tseki
MMC for women, children, disability and vulnerable groups	Councillor TJ Tshabalala
Grading of local authority	Grade 8
Accounting Officer	Mr B Molatseli (Acting)
Chief Finance Officer (CFO)	Mr P Khiba (Acting)
Registered office	9 Muller Street East Bethlehem 9701
Business address	9 Muller Street East Bethlehem 9701
Postal address	Po Box 551 Bethlehem 9701
Bankers	ABSA
Auditors	Auditor General of South Africa

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

General Information

Other 2

Ward no:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Public Representative Councillors

Ms MA Noosi
Mr LA Mhlambi
Mrs HE Mokoena
Ms LU Makhalema
Mr PD Lengoabala
Mrs TJ Tshabalala
Mr LJ Lemako
Mr JJH Pienaar
Mr CC Harrington
Ms MK Mofokeng

Executive Mayor:

Speaker:

Council WIP:

Other 3

Mr G Mahlatsi (Chairperson)
Mr T Kometsi
Mr D Mofokeng
Mr R Levhengo
Mr E Siwakwi

Councillor

Mrs MA Mokoena
Mr S Msimanga
Mr NN Nzimande
Mr PP Mokoena
Mr MD Shabalala
Mr MJ Tshabalala
Ms TM Mofokeng
Mr TMH Mofokeng
Mr RP Mofokeng
Mr GJ Roetz
Mr TA Masoeu
Mr JM Radebe
Mr TJ Seekane
Mr TJ Tseki
Ms ME Sempe
Mrs SM Jacobs
Mrs AL Rakhothule - Mkhwanazi
Mr JF Bonthuys
Mr M St V Mofokeng
Ms MR Mokoena

Ms NE Mabizela
Mr LJ Mosikili
Mr MJ Mokoena
Mr BDL Venter
Mr PT Ramaele
Mrs M Prior
Mr PA Maasdorp
Mr TV Mofokeng
Mr PHJ Olivier
Mr D Stevens

Councillor TMH Mofokeng
Councillor PD Lengoabala
Councillor LU Makhalema

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Index

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

Index	Page
Accounting Officer's Report	6-17
Statement of Financial Position	18
Statement of Financial Performance	19
Statement of Changes in Net Assets	20
Cash Flow Statement	21
Statement of Comparison of Budget and Actual Amounts	22 - 25
Accounting Policies	26 - 52
Notes to the Annual Financial Statements	53 - 90

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

Appendixes:

Appendix A: Schedule of External loans - unaudited	91
Appendix B: Analysis of Property, Plant and Equipment - unaudited	92

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)
VAT	Value Added Tax
CPI	Consumer Price Index
EPWP	Extended Public Works Program

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

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

The annual financial statements set out on pages 6 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer
Designation

Dihlabeng 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*
Assets			
Current Assets			
Inventories	3	1,454,582	720,196
Other financial assets	4	990,437	942,597
Receivables from exchange transactions	5	23,627,651	18,192,779
Receivables from non-exchange transactions	6	2,884,217	4,716,757
Trade receivables from exchange transactions	7	55,640,745	56,566,410
Trade receivables from non-exchange transactions	7	5,323,132	5,369,660
Cash and cash equivalents	8	150,693	4,256,812
		90,071,457	90,765,211
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	3,726,075	3,798,825
Investment property	10	47,996,000	47,996,000
Property, plant and equipment	11	1,833,351,316	1,836,651,029
Intangible assets	12	1,864,477	69,758
Heritage assets	13	45,355,000	45,355,000
Other financial assets	4	482,515	503,196
		1,932,775,383	1,934,373,808
Total Assets		2,022,846,840	2,025,139,019
Liabilities			
Current Liabilities			
Other financial liabilities	14	3,828,264	3,504,480
Payables from exchange transactions	15	224,337,718	184,067,641
VAT payable	16	34,347,479	36,624,456
Consumer deposits	17	5,950,696	4,914,870
Unspent conditional grants and receipts	18	5,000,000	-
Provisions	19	23,843,621	20,143,114
Bank overdraft	8	7,519,029	-
		304,826,807	249,254,561
Non-Current Liabilities			
Other financial liabilities	14	40,752,657	43,937,393
Employee benefit obligation	20	19,568,000	21,547,000
Provisions	19	5,203,000	4,697,968
Long service leave awards	21	13,632,000	12,563,000
		79,155,657	82,745,361
Total Liabilities		383,982,464	331,999,922
Net Assets		1,638,864,376	1,693,139,097
Accumulated surplus		1,638,864,376	1,693,139,097

* See Note 46

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	325,585,327	304,271,981
Rendering of services		1,819,169	1,713,080
Bad debts recovered		-	863,756
Rental of facilities and equipment	24	3,919,415	4,168,116
Interest received (trading)		40,508,060	33,733,321
Licences and permits		51,361	114,506
Other income	25	5,765,831	3,476,888
Interest received - investment	26	-	4,426
Dividends received	26	16,686	6,311
Total revenue from exchange transactions		377,665,849	348,352,385
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	90,188,155	79,521,853
Transfer revenue			
Government grants and subsidies	28	209,662,471	203,871,645
Traffic fines		13,365,208	31,566,956
Total revenue from non-exchange transactions		313,215,834	314,960,454
Total revenue	22	690,881,683	663,312,839
Expenditure			
Employee costs	29	(201,666,787)	(174,709,518)
Remuneration of councillors	30	(14,813,961)	(13,705,241)
Depreciation, impairment and amortisation	31	(67,910,967)	(73,151,656)
Finance costs	32	(17,084,658)	(19,115,251)
Debt Impairment	33	(141,227,455)	(144,278,355)
Repairs and maintenance		(13,097,233)	(13,177,104)
Bulk purchases	34	(141,393,851)	(125,365,049)
Contracted services	35	(2,636,051)	(1,630,197)
General expenses	37	(141,351,826)	(121,836,771)
Total expenditure		(741,182,789)	(686,969,142)
Operating deficit		(50,301,106)	(23,656,303)
(Loss) gain on disposal of assets and liabilities		(5,960,198)	168,253
Fair value adjustments in investments	38	27,327	145,099
Actuarial gain / (loss)		2,032,000	2,149,000
Fair value adjustments on investment properties		-	(28,475,194)
Fair value adjustment of game stock		(72,750)	1,003,375
		(3,973,621)	(25,009,467)
Deficit for the year		(54,274,727)	(48,665,770)

* See Note 46

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,693,914,293	1,693,914,293
Adjustments		
Correction of errors - Note 47	47,890,574	47,890,574
Balance at 01 July 2014 as restated*	1,741,804,867	1,741,804,867
Changes in net assets		
Deficit for the year	(48,665,770)	(48,665,770)
Total changes	(48,665,770)	(48,665,770)
Opening balance as previously reported	1,643,994,546	1,643,994,546
Adjustments		
Correction of errors - Note 47	1,253,983	1,253,983
Prior year adjustments	47,890,574	47,890,574
Restated* Balance at 01 July 2015 as restated*	1,693,139,103	1,693,139,103
Changes in net assets		
Surplus for the year	(54,274,727)	(54,274,727)
Total changes	(54,274,727)	(54,274,727)
Balance at 30 June 2016	1,638,864,376	1,638,864,376
Note(s)		

* See Note 46

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		296,836,872	278,288,574
Grants		214,662,471	194,091,985
Interest income		40,508,060	33,737,747
Dividends received		16,686	6,311
		<u>552,024,089</u>	<u>506,124,617</u>
Payments			
Employee costs		(216,480,748)	(188,414,746)
Suppliers		(255,299,150)	(228,057,796)
Finance costs		(17,084,658)	(19,115,251)
		<u>(488,864,556)</u>	<u>(435,587,793)</u>
Net cash flows from operating activities	41	<u>63,159,533</u>	<u>70,536,824</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(73,953,363)	(56,466,402)
Proceeds from sale of property, plant and equipment	11	3,935,955	168,253
Purchase of other intangible assets	12	(1,906,319)	-
		<u>(71,923,727)</u>	<u>(56,298,149)</u>
Net cash flows from investing activities		<u>(71,923,727)</u>	<u>(56,298,149)</u>
Cash flows from financing activities			
Increase of other financial liabilities		(2,860,953)	(1,983,703)
		<u>(2,860,953)</u>	<u>(1,983,703)</u>
Net cash flows from financing activities		<u>(2,860,953)</u>	<u>(1,983,703)</u>
Net increase/(decrease) in cash and cash equivalents		(11,625,147)	12,254,972
Cash and cash equivalents at the beginning of the year		4,256,812	(7,998,160)
Cash and cash equivalents at the end of the year	8	<u>(7,368,335)</u>	<u>4,256,812</u>

* See Note 46

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	366,991,494	(3,068,458)	363,923,036	325,585,327	(38,337,709)	
Rendering of services	3,954,347	354,635	4,308,982	1,819,169	(2,489,813)	
Rental of facilities and equipment	3,950,889	412,845	4,363,734	3,919,415	(444,319)	
Interest received (trading)	35,508,510	3,176,490	38,685,000	40,524,746	1,839,746	
Licences and permits	167,085	(31,204)	135,881	51,361	(84,520)	
Other income	6,352,068	14,638,359	20,990,427	5,765,831	(15,224,596)	
Total revenue from exchange transactions	416,924,393	15,482,667	432,407,060	377,665,849	(54,741,211)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	90,808,717	7,028,337	97,837,054	90,188,155	(7,648,899)	
Transfer revenue						
Government grants & subsidies - operational	127,746,000	7,098,000	134,844,000	130,746,000	(4,098,000)	
Fines, Penalties and Forfeits	9,457,976	-	9,457,976	13,365,208	3,907,232	
Total revenue from non-exchange transactions	228,012,693	14,126,337	242,139,030	234,299,363	(7,839,667)	
Total revenue	644,937,086	29,609,004	674,546,090	611,965,212	(62,580,878)	
Expenditure						
Personnel	(179,513,246)	(14,118,375)	(193,631,621)	(201,666,787)	(8,035,166)	
Remuneration of councillors	(12,758,828)	(1,108,091)	(13,866,919)	(14,813,961)	(947,042)	
Depreciation and amortisation	(75,335,981)	-	(75,335,981)	(67,910,967)	7,425,014	
Finance costs	(14,606,264)	5,102,264	(9,504,000)	(17,084,658)	(7,580,658)	
Bad debts written off	(90,001,578)	-	(90,001,578)	(141,227,455)	(51,225,877)	
Repairs and maintenance	(20,101,548)	2,156,354	(17,945,194)	(13,097,233)	4,847,961	
Bulk purchases	(144,559,111)	11,500,000	(133,059,111)	(141,393,851)	(8,334,740)	
Contracted Services	(1,500,000)	(400,000)	(1,900,000)	(2,636,051)	(736,051)	
Transfers and Subsidies	(8,288,963)	(37)	(8,289,000)	-	8,289,000	
General Expenses	(152,923,280)	(35,806,527)	(188,729,807)	(141,351,826)	47,377,981	
Total expenditure	(699,588,799)	(32,674,412)	(732,263,211)	(741,182,789)	(8,919,578)	
Operating deficit	(54,651,713)	(3,065,408)	(57,717,121)	(129,217,577)	(71,500,456)	
Loss on disposal of assets and liabilities	-	-	-	(5,960,198)	(5,960,198)	
Fair value adjustments	-	-	-	27,327	27,327	
Gain on biological assets and agricultural produce	-	-	-	2,032,000	2,032,000	
Loss on non-current assets held for sale or disposal groups	-	-	-	(72,750)	(72,750)	
	-	-	-	(3,973,621)	(3,973,621)	
Deficit	(54,651,713)	(3,065,408)	(57,717,121)	(133,191,198)	(75,474,077)	
Transfers recognised - capital	81,728,000	-	81,728,000	78,916,471	(2,811,529)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	27,076,287	(3,065,408)	24,010,879	(54,274,727)	(78,285,606)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	1,454,582	1,454,582	
Other financial assets	900,000	-	900,000	990,437	90,437	
Receivables from exchange transactions	25,000,000	-	25,000,000	23,627,651	(1,372,349)	
Receivables from non-exchange transactions	-	-	-	2,884,217	2,884,217	
Consumer debtors	143,122,000	-	143,122,000	60,963,877	(82,158,123)	
Cash and cash equivalents	-	-	-	150,693	150,693	
	169,022,000	-	169,022,000	90,071,457	(78,950,543)	

Non-Current Assets

Biological assets that form part of an agricultural activity	2,795,000	-	2,795,000	3,726,075	931,075	
Investment property	76,471,000	-	76,471,000	47,996,000	(28,475,000)	
Property, plant and equipment	1,872,774,000	-	1,872,774,000	1,833,351,315	(39,422,685)	
Intangible assets	104,000	-	104,000	1,864,477	1,760,477	
Heritage assets	-	-	-	45,355,000	45,355,000	
Other financial assets	450,000	-	450,000	482,515	32,515	
	1,952,594,000	-	1,952,594,000	1,932,775,382	(19,818,618)	

Total Assets

	2,121,616,000	-	2,121,616,000	2,022,846,839	(98,769,161)	
--	----------------------	---	----------------------	----------------------	---------------------	--

Liabilities

Current Liabilities

Other financial liabilities	8,400,000	-	8,400,000	3,828,264	(4,571,736)	
Payables from exchange transactions	276,000,000	-	276,000,000	224,337,711	(51,662,289)	
VAT payable	-	-	-	34,347,479	34,347,479	
Consumer deposits	3,800,000	-	3,800,000	5,950,696	2,150,696	
Unspent conditional grants and receipts	-	-	-	5,000,000	5,000,000	
Provisions	-	-	-	23,843,621	23,843,621	
Bank overdraft	-	-	-	7,519,029	7,519,029	
	288,200,000	-	288,200,000	304,826,800	16,626,800	

Non-Current Liabilities

Other financial liabilities	28,000,000	-	28,000,000	40,752,657	12,752,657	
Employee benefit obligation	-	-	-	19,568,000	19,568,000	
Provisions	36,000,000	-	36,000,000	5,203,000	(30,797,000)	
Long service leave awards	-	-	-	13,632,000	13,632,000	
	64,000,000	-	64,000,000	79,155,657	15,155,657	

Total Liabilities

	352,200,000	-	352,200,000	383,982,457	31,782,457	
--	--------------------	---	--------------------	--------------------	-------------------	--

Net Assets

	1,769,416,000	-	1,769,416,000	1,638,864,382	(130,551,618)	
--	----------------------	---	----------------------	----------------------	----------------------	--

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,769,416,000		- 1,769,416,000	1,638,864,382	(130,551,618)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 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

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

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

Fair value estimation

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and 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 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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.

1.4 Biological assets that form part of an agricultural activity

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

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

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

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

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Investment property (continued)

Transitional provision

The municipality changed its accounting policy for investment property in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 10. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2016 and investment property has accordingly been recognised at provisional amounts, as disclosed in 10.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 municipality or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in municipality or deficit.

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	Depreciation method	Average useful life
Bins and containers	Straight line	5 - 22 years
Community assets - Buildings	Straight line	5 - 50 years
Community assets - Land		Infinite
Emergency equipment	Straight line	15 - 22 years
Furniture and fixtures	Straight line	5 - 22 years
Motor vehicles	Straight line	5 - 22 years
Infrastructure - Electrical	Straight line	5 - 50 years
Infrastructure - Roads	Straight line	7 - 80 years
Infrastructure - Sewer	Straight line	5 - 50 years
Infrastructure - Water	Straight line	5 - 100 years

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure - Solid waste - Land		Infinite
Infrastructure - Solid waste - Buildings	Straight line	5 -50 years
Land owned		Infinite
Office equipment	Straight line	5 -22 years
Plant and equipment	Straight line	2 - 37 years
Railways	Straight line	5 - 50 years
Security equipment	Straight line	22 years

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

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

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in municipality 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.

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years

1.8 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

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

1.9 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments (continued)

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
- 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Initial measurement of financial assets and financial liabilities

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 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.

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 municipality or deficit.

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Financial instruments (continued)

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

Presentation

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

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 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.

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

Cash-generating assets are 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in municipality or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

Redesignation

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

1.13 Impairment of non-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.

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in municipality or deficit.

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

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

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

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

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

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Other post retirement obligations

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Fines

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

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Fruitless and wasteful expenditure (continued)

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.

1.24 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

1.25 Budget information

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

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

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

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

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

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

1.26 Related parties

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.26 Related parties (continued)

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

2. Summary of the standards and pronouncements comprising the GRAP reporting framework for the 30 June 2013 financial year-end

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after
• GRAP 18: Segment Reporting	01 April 2017
• GRAP 20: Related parties	01 April 2017
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016
• GRAP 108: Statutory Receivables	01 April 2016
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016
• GRAP 16 (as amended 2015): Investment Property	01 April 2016
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016
• GRAP 109: Accounting by Principals and Agents	01 April 2017
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018

3. Inventories

Consumable stores	854,735	387,785
Water	101,408	89,409
Fuel (Diesel, Petrol)	411,731	192,984
Water chemicals	152,277	50,018
	<hr/>	<hr/>
	1,520,151	720,196
Inventories (write-downs)	(65,569)	-
	<hr/>	<hr/>
	1,454,582	720,196

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
4. Other financial assets		
Designated at fair value		
Listed shares	251,641	276,571
4 169 shares in Sanlam @ R60.36 (2015: R66.34)		
Unlisted shares	230,874	226,625
The unlisted investment consists of:		
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R13.57 (2015: R13.35)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R12.57 (2015: R12.31)		
Sanlam short term deposit	834,161	786,321
The short-term deposit at Sanlam is fixed and matures at a future date.		
ABSA short term deposit	156,276	156,276
The short-term deposit at ABSA is fixed and matures at a future date.		
Total other financial assets	1,472,952	1,445,793
Non-current assets		
Designated at fair value	482,515	503,196
Current assets		
Designated at fair value	990,437	942,597
5. Receivables from exchange transactions		
Unbilled consumption to trade debtors	18,734,745	16,392,615
Other receivables	8,337	8,337
Pre-paid electricity from third party vendors	613,381	1,488,575
Sale of property debtors	4,271,188	552,560
Bank errors	-	(249,308)
	23,627,651	18,192,779
6. Receivables from non-exchange transactions		
Post office and petrol deposits	170,000	170,000
Other receivables from non-exchange revenue	993,483	1,127,254
Unpaid traffic fines	61,568,056	51,622,706
Provision for traffic fines not recoverable	(59,847,322)	(48,203,203)
	2,884,217	4,716,757

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Trade receivables		
Gross balances		
Trade receivables from non-exchange transactions		
Rates	54,780,020	51,373,187
Trade receivables from exchange transactions		
Electricity	21,691,031	19,733,835
Water	140,378,782	139,747,061
Sewerage	82,367,720	79,584,162
Refuse	116,770,863	110,423,215
VAT billed	51,185,699	49,432,845
Interest, rent ect.	160,201,274	142,267,103
	627,375,389	592,561,408
Less: Allowance for impairment		
Receivables from non-exchange transactions		
Rates	(49,456,888)	(46,003,527)
Receivables from exchange transactions		
Electricity	(19,583,251)	(17,671,203)
Water	(126,737,770)	(125,140,332)
Sewerage	(74,363,811)	(71,265,817)
Refuse	(105,423,901)	(98,881,491)
VAT billed	(46,211,837)	(44,265,995)
Interest, rent ect	(144,634,054)	(127,396,972)
	(566,411,512)	(530,625,337)
Net balance		
Receivables from non-exchange transactions		
Rates	5,323,132	5,369,660
Receivables from exchange transactions		
Electricity	2,107,780	2,062,632
Water	13,641,012	14,606,729
Sewerage	8,003,909	8,318,345
Refuse	11,346,962	11,541,724
VAT billed	4,973,862	5,166,850
Interest, rent ect	15,567,220	14,870,131
	60,963,877	61,936,071
Rates		
Net receivables from non-exchange transactions		
Current (0 -30 days)	5,323,132	5,181,529
31 - 60 days	-	188,131
	5,323,132	5,369,660
Net receivables from exchange transactions		
Electricity		
Current (0 -30 days)	2,107,780	2,062,632
Water		
Current (0 -30 days)	5,130,172	5,197,156
31 - 60 days	4,474,068	4,377,346
61 - 90 days	3,346,878	5,032,227
91 - 120 days	689,894	-
	13,641,012	14,606,729

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Trade receivables (continued)		
Sewerage		
Current (0 -30 days)	3,275,826	3,131,586
31 - 60 days	2,161,242	2,022,315
61 - 90 days	1,888,162	1,734,337
91 - 120 days	678,679	1,430,107
	8,003,909	8,318,345
Refuse		
Current (0 -30 days)	3,017,332	2,934,300
31 - 60 days	2,403,254	2,294,404
61 - 90 days	2,263,327	2,215,732
91 - 120 days	2,224,321	2,187,341
121 - 365 days	1,438,728	1,909,947
	11,346,962	11,541,724
VAT Billed		
Current (0 -30 days)	2,938,360	2,774,876
31 - 60 days	1,723,255	1,595,101
61 - 90 days	312,247	796,873
	4,973,862	5,166,850
Interest, rent ect		
Current (0 -30 days)	4,184,619	3,844,379
31 - 60 days	4,573,603	3,637,162
61 - 90 days	3,766,713	3,432,714
91 - 120 days	3,042,285	3,234,265
121 - 365 days	-	721,611
	15,567,220	14,870,131

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Trade receivables (continued)		
Summary of trade receivables by customer classification		
Consumers / Industrial / Commercial		
Current (0 -30 days)	30,915,087	29,206,087
31 - 60 days	17,361,538	16,727,282
61 - 90 days	14,386,759	14,830,710
91 - 120 days	13,573,558	13,331,139
121 - 365 days	95,280,929	101,122,827
> 365 days	439,768,598	406,907,718
	<u>611,286,469</u>	<u>582,125,763</u>
Less: Allowance for impairment	(566,411,511)	(530,625,336)
	44,874,958	51,500,427
National and provincial government		
Current (0 -30 days)	3,737,992	2,118,682
31 - 60 days	3,509,843	1,623,053
61 - 90 days	982,919	549,314
91 - 120 days	818,235	361,585
121 - 365 days	3,380,525	2,652,260
> 365 days	3,659,406	3,130,752
	<u>16,088,920</u>	<u>10,435,646</u>
Total		
Current (0 -30 days)	34,653,079	31,324,768
31 - 60 days	20,871,380	18,350,334
61 - 90 days	15,369,678	15,380,024
91 - 120 days	14,391,792	13,692,724
121 - 365 days	98,661,454	103,775,087
> 365 days	443,428,004	410,038,471
	<u>627,375,387</u>	<u>592,561,408</u>
Less: Allowance for impairment	(566,411,510)	(530,625,337)
	60,963,877	61,936,071
Less: Allowance for impairment		
Current (0 -30 days)	(8,675,859)	(6,198,309)
31 - 60 days	(5,535,959)	(4,235,875)
61 - 90 days	(3,792,350)	(2,168,141)
91 - 120 days	(7,756,613)	(6,841,990)
121 - 365 days	(97,222,726)	(101,142,550)
> 365 days	(443,428,005)	(410,038,472)
	<u>(566,411,512)</u>	<u>(530,625,337)</u>
Total debtor past due but not impaired		
Current (0 -30 days)	25,977,220	25,126,460
31 - 60 days	15,335,422	14,114,459
61 - 90 days	11,577,327	13,211,883
91 - 120 days	6,635,180	6,850,734
121 - 365 days	1,438,728	2,632,537
	<u>60,963,877</u>	<u>61,936,073</u>

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Trade receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(530,625,337)	(412,526,762)
Contributions to allowance	(35,786,175)	(118,098,575)
	(566,411,512)	(530,625,337)

Consumer debtors impaired

As of 30 June 2016, consumer debtors of R566,411,512 (2015: R530,625,336) were impaired and provided for.

The amount of the provision was R35,786,175 as of 30 June 2016 (2015: R118,098,573).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	150,116	136,766
Bank balances	577	4,120,046
Bank overdraft	(7,519,029)	-
	(7,368,336)	4,256,812
Current assets	150,693	4,256,812
Current liabilities	(7,519,029)	-
	(7,368,336)	4,256,812

The municipality has an overdraft facilities of R5,000,000 (2015: R5,000,000). At year end the overdraft amounted to R7,519,029 (2015: R-).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank - Cheque account (Primary) - 405-289-8966	1,138,486	6,814,614	(4,801,794)	(7,518,621)	3,260,462	(9,656,173)
ABSA Bank - Cheque account (Project) - 100-001-0223	1,908	892,401	1,014,792	(408)	859,585	1,514,748
ABSA Bank - Cheque account - 40-8862-1820	577	-	-	577	-	-
Total	1,140,971	7,707,015	(3,787,002)	(7,518,452)	4,120,047	(8,141,425)

9. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	3,726,075	-	3,726,075	3,798,825	-	3,798,825

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

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

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

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	3,798,825	(72,750)	3,726,075

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

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	2,795,450	1,003,375	3,798,825

Non - Financial information

Quantities of each biological asset

Game stock	1,284	1,283
------------	-------	-------

The stock count were performed by the community services department on 29 July 2016. The Department of Economic, small business development, tourist and environmental affairs of the Free State (DESTEA) assists the municipality in the management of the Wolhuterskop Private Nature reserve.

10. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	47,996,000	-	47,996,000	47,996,000	-	47,996,000

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	47,996,000	47,996,000

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	76,471,194	(28,475,194)	47,996,000

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.

At initial recognition, the municipality measures investment property at costs and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, investment property is carried at this fair value at the reporting date.

The fair value of the property is supported by market evidence.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
-----------------	------	------

10. Investment property (continued)

Revaluations were performed by an independent valuator, Mr Arthur Lelosa Independent Valuers, who holds a recognised and relevant qualification, during 2015. A certificate to this extent was received from the above-mentioned valuator.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

11. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Bins and containers	1,257,645	(960,184)	297,461	1,257,505	(883,727)	373,778
Community assets - Buildings	248,586,318	(70,243,940)	178,342,378	250,331,124	(60,769,292)	189,561,832
Community assets - Land	140,301,863	-	140,301,863	142,296,849	-	142,296,849
Emergency equipment	283,172	(180,825)	102,347	337,267	(217,195)	120,072
Furniture and fixtures	4,300,963	(2,998,861)	1,302,102	4,422,426	(2,907,677)	1,514,749
Infrastructure - Electrical	154,195,285	(52,130,659)	102,064,626	154,195,285	(46,156,094)	108,039,191
Infrastructure - Roads	381,299,617	(144,345,446)	236,954,171	375,389,766	(128,928,850)	246,460,916
Infrastructure - Sewer	386,030,855	(107,186,739)	278,844,116	386,030,856	(92,317,891)	293,712,965
Infrastructure - Water	454,719,647	(105,878,792)	348,840,855	422,527,594	(90,631,705)	331,895,889
Infrastructure solid waste - Buildings	17,643,660	(5,762,481)	11,881,179	17,643,660	(5,019,969)	12,623,691
Infrastructure solid waste - Land	4,605,363	-	4,605,363	4,605,363	-	4,605,363
Land - owned	415,474,500	-	415,474,500	415,474,500	-	415,474,500
Leased assets	-	1	1	-	1	1
Motor vehicles	12,207,571	(8,572,290)	3,635,281	12,584,886	(8,406,656)	4,178,230
Office equipment	9,783,797	(7,448,894)	2,334,903	9,827,165	(7,737,855)	2,089,310
Plant and equipment	15,080,709	(10,461,955)	4,618,754	16,076,717	(10,874,651)	5,202,066
Railways	48,755,739	(21,669,217)	27,086,522	48,755,739	(18,960,565)	29,795,174
Security equipment	6,139	(6,137)	2	6,139	(5,862)	277
Work-in-progress	76,664,891	-	76,664,891	54,985,817	(6,279,641)	48,706,176
Total	2,371,197,734	(537,846,419)	1,833,351,315	2,316,748,658	(480,097,629)	1,836,651,029

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Bookvalue of disposals	Transfers	Bookvalue of assets previously written off	Depreciation	Total
Bins and containers	373,778	-	-	-	29	(76,346)	297,461
Community assets - Buildings	189,561,832	322,183	(7,580,945)	5,575,945	310	(9,536,947)	178,342,378
Community assets - Land	142,296,849	-	(1,994,986)	-	-	-	140,301,863
Emergency equipment	120,072	-	(70)	-	151	(17,806)	102,347
Furniture and fixtures	1,514,749	320,739	(2,414)	(49,494)	9,693	(491,171)	1,302,102
Infrastructure - Electrical	108,039,191	-	-	-	-	(5,974,565)	102,064,626
Infrastructure - Roads	246,460,916	1,489,480	-	4,420,371	-	(15,416,596)	236,954,171
Infrastructure - Sewer	293,712,965	-	-	-	-	(14,868,849)	278,844,116
Infrastructure - Water	331,895,889	14,198,415	-	17,993,637	-	(15,247,086)	348,840,855
Infrastructure solid waste - Buildings	12,623,691	-	-	-	-	(742,512)	11,881,179
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	4,605,363
Land - owned	415,474,500	-	-	-	-	-	415,474,500
Leased assets	1	-	-	-	-	-	1
Motor vehicles	4,178,230	-	(25,030)	-	131,565	(649,484)	3,635,281
Office equipment	2,089,310	1,141,786	(42,728)	-	68,533	(921,998)	2,334,903
Plant and equipment	5,202,066	581,586	(25,730)	-	6,601	(1,145,769)	4,618,754
Railways	29,795,174	-	-	-	-	(2,708,652)	27,086,522
Security equipment	277	-	-	-	-	(275)	2
Work-in-progress	48,706,176	55,899,174	-	(27,940,459)	-	-	76,664,891
	1,836,651,029	73,953,363	(9,671,903)	-	216,882	(67,798,056)	1,833,351,315

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Bins and containers	450,131	-	-	-	(76,353)	-	373,778
Community assets - Buildings	184,900,428	2,478,918	11,626,641	-	(9,444,155)	-	189,561,832
Community assets - Land	142,296,849	-	-	-	-	-	142,296,849
Emergency equipment	136,415	-	-	-	(16,413)	70	120,072
Furniture and fixtures	1,931,161	56,267	-	797	(463,875)	(9,601)	1,514,749
Infrastructure - Electrical	110,872,143	2,766,592	-	-	(5,599,544)	-	108,039,191
Infrastructure - Roads	253,588,619	5,567,302	3,567,616	-	(16,262,621)	-	246,460,916
Infrastructure - Sewer	282,554,789	1,649,233	22,726,103	-	(13,217,160)	-	293,712,965
Infrastructure - Water	291,558,113	1,562,485	53,998,967	-	(15,223,676)	-	331,895,889
Infrastructure solid waste - Building	13,381,087	-	-	-	(757,396)	-	12,623,691
Infrastructure solid waste - Land	4,605,363	-	-	-	-	-	4,605,363
Land - owned	415,474,500	-	-	-	-	-	415,474,500
Leased assets	1	-	-	-	-	-	1
Motor vehicles	4,710,999	117,356	-	56,657	(676,413)	(30,369)	4,178,230
Office equipment	2,520,208	579,560	-	-	(990,444)	(20,014)	2,089,310
Plant and equipment	6,512,220	79,763	-	5,693	(1,232,157)	(163,453)	5,202,066
Railways	32,503,826	-	-	-	(2,708,652)	-	29,795,174
Security equipment	556	-	-	-	(279)	-	277
Work-in-progress	105,296,218	41,608,926	(91,919,327)	-	-	(6,279,641)	48,706,176
	1,853,293,626	56,466,402	-	63,147	(66,669,138)	(6,503,008)	1,836,651,029

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

12. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,002,432	(1,137,955)	1,864,477	2,079,733	(2,009,975)	69,758

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	69,758	1,906,319	(111,600)	1,864,477

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	103,620	(33,862)	69,758

13. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	45,355,000	-	45,355,000	45,355,000	-	45,355,000

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	45,355,000	45,355,000

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	45,355,000	45,355,000

14. Other financial liabilities

At amortised cost

Development Bank of Southern Africa (DBSA) Interest will be charged at 10% per year. The loan is repayable in monthly installments of R621,615 over a period of 9 years.	44,580,921	47,441,873
---	------------	------------

Non-current liabilities

At amortised cost	40,752,657	43,937,393
-------------------	------------	------------

Current liabilities

At amortised cost	3,828,264	3,504,480
-------------------	-----------	-----------

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
15. Payables from exchange transactions		
Trade payables	193,282,445	161,472,934
Trade receivables with credit balances	10,592,658	5,584,238
Deposit on land sales	1,400,000	-
Deposits received	213,262	161,256
Sundry creditors	10,467,423	9,732,944
Salary related creditors	8,381,930	7,116,269
	224,337,718	184,067,641
16. VAT payable		
VAT accrued on accounts receivable	53,086,185	48,997,143
VAT accrued on accounts payable	(17,995,021)	(11,309,071)
VAT refundable by SARS	(743,685)	(1,063,616)
	34,347,479	36,624,456
17. Consumer deposits		
Water and electricity	5,950,446	4,914,870
Sundry	250	-
	5,950,696	4,914,870
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National Development Electrification Grant	5,000,000	-
Movement during the year		
Balance at the beginning of the year	-	9,779,659
Additions during the year	89,446,471	65,037,946
Income recognition during the year	(84,446,471)	(68,901,645)
Unspent MIG grant recovered from equitable share allocation	-	(5,915,960)
	5,000,000	-

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	4,697,968	505,032	5,203,000
Bonus provision	4,120,714	523,081	4,643,795
Leave provision	16,022,400	3,177,426	19,199,826
	24,841,082	4,205,539	29,046,621

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

19. Provisions (continued)

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	4,370,203	327,765	4,697,968
Bonus provision	3,848,693	272,021	4,120,714
Leave provision	14,561,500	1,460,900	16,022,400
	22,780,396	2,060,686	24,841,082
Non-current liabilities		5,203,000	4,697,968
Current liabilities		23,843,621	20,143,114
		29,046,621	24,841,082

Environmental rehabilitation provision

The new dumping site became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 13 200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years.

The following key assumptions were made that can impact considerably on the calculation of the provision if they change:

- provision was made to dispose of 2 658 800 cubic metre waist that will fill an area of 129 600 square metres x 18 metres high over a lifespan of 20 years
- an average disposal tempo of 160 cubic metres per day over the 20 year lifespan was used for costing calculations
- an annual inflationary increase of 7,50% was used for the projected cost

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

An assessment was done on 31 October 2016 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping site in accordance with it's licence agreement.

Bonus provision

The bonus provision is based on the pro-rata portion of the bonuses due to the employees. Annual bonuses are paid to employees in the anniversary month of the their employment.

Leave provision

Leave provision is based on the outstanding obligation of the municipality regarding the leave balance of the employees at year-end.

20. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded (19,568,000) (21,547,000)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

20. Employee benefit obligations (continued)

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

Opening balance	(21,547,000)	(23,352,000)
Benefits paid	1,641,000	1,578,000
Net expense recognised in the statement of financial performance	338,000	227,000
	(19,568,000)	(21,547,000)

Net expense recognised in the statement of financial performance

Current service cost	(173,000)	(136,000)
Past service cost	(1,908,000)	(2,012,000)
Actuarial (gains) losses	2,419,000	2,375,000
	338,000	227,000

Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as per age on 30 June 2015.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:

- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service.
- the medical contribution subsidies arising in respect of adult dependents of employees.
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation.
- discounting these cashflows in order to express the PRMA liability in current Rand terms.

Discount rate used: GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

CPI used (Consumer Price Inflation): Difference between nominal and yield curves.

Medical Aid Contribution Inflation: CPI + 1%

Net effective discount rate: Yield curve based.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators no the actuaries.

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

21. Long service leave awards

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

Opening balance	(12,563,000)	(11,428,000)
Benefits paid	1,882,000	1,308,000
Net expense recognised in the statement of financial performance	(2,951,000)	(2,443,000)
	<u>(13,632,000)</u>	<u>(12,563,000)</u>

Net expense recognised in the statement of financial performance

Current service cost	(1,409,000)	(1,307,000)
Interest cost	(1,155,000)	(910,000)
Actuarial (gains) losses	(387,000)	(226,000)
	<u>(2,951,000)</u>	<u>(2,443,000)</u>

Key assumptions used

The long service leave liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses. Ages are calculated as per age on 30 June 2015.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The actuarial valuation of the Long service leave liability involves the following:

- long service benefits are awarded in the form of leave days and a percentage of salary.
- the calculated award values are then discounted at the assumed discount interest rate to the date of the calculation.
- mortality, retirements and withdrawals from service are also taken into account.
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable.
- the current policy for awarding long service awards remains unchanged in the future.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
22. Revenue		
Rendering of services	1,819,169	1,713,080
Service charges	325,585,327	304,271,981
Bad debts recovered	-	863,756
Rental of facilities and equipment	3,919,415	4,168,116
Interest received (trading)	40,508,060	33,733,321
Licences and permits	51,361	114,506
Other income	5,765,831	3,476,888
Interest received - investment	-	4,426
Dividends received	16,686	6,311
Property rates	90,188,155	79,521,853
Government grants and subsidies	209,662,471	203,871,645
Fines and penalties	13,365,208	31,566,956
	690,881,683	663,312,839

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

Service charges	325,585,327	304,271,981
Rendering of services	1,819,169	1,713,080
Bad debts recovered	-	863,756
Rental of facilities and equipment	3,919,415	4,168,116
Interest received (trading)	40,508,060	33,733,321
Licences and permits	51,361	114,506
Other income	5,765,831	3,476,888
Interest received - investment	-	4,426
Dividends received	16,686	6,311
	377,665,849	348,352,385

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

Taxation revenue		
Property rates	90,188,155	79,521,853
Transfer revenue		
Government grants and subsidies	209,662,471	203,871,645
Fines and penalties	13,365,208	31,566,956
	313,215,834	314,960,454

23. Service charges

Sale of electricity	174,080,498	162,251,094
Sale of water	67,843,752	63,886,696
Sewerage and sanitation charges	43,694,229	40,705,299
Refuse removal	39,966,848	37,428,892
	325,585,327	304,271,981

Water distribution losses for the year 32.78% (2015: 26.70%)

Electricity distribution losses for the year 7.83% (2015: 13.25%)

The main reasons for the losses are due to the ageing infrastructure of the networks, also the leakages in the water network and the illegal connections in the electricity network.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
24. Rental of facilities and equipment		
Premises		
Premises	3,485,637	3,900,762
Venue hire	-	1,524
	3,485,637	3,902,286
Facilities and equipment		
Rental of equipment	433,778	265,830
	3,919,415	4,168,116
25. Other income		
Advertising income	719,367	582,973
Blocked sewerage charges	33,412	28,433
Building plan fees	584,912	423,034
Clearance certificates	317,300	255,973
Encroachment charges	372,256	331,746
Escorting of abnormal freights	131,747	147,193
Insurance claim received	974,722	273,405
Landing charges	39,430	34,815
Festivals	142,010	-
Parking meter income	374	416
Photocopies and faxes	5,286	2,596
Pound sales	66,020	15,320
Skills development levies received	333,744	469,959
Sundry income	2,124,588	442,967
Sundry income: Electricity	(98,412)	438,976
Sundry income: Parks	3,520	5,986
Sundry income: Traffic	15,555	23,096
	5,765,831	3,476,888
26. Investment revenue		
Dividend revenue		
Investments	16,686	6,311
Interest revenue		
Investment	-	4,426
	16,686	10,737

The amount included in Investment revenue arising from non-exchange transactions amounted to R10,737.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
27. Property rates		
Rates received		
Residential	33,292,934	32,140,861
Commercial	40,234,907	33,291,479
State	14,164,990	11,967,525
Small holdings and farms	3,243,356	2,854,767
Property rates	(748,032)	(732,779)
	90,188,155	79,521,853

Valuations

	R '000	R '000
Residential	5,406,400	5,451,884
Commercial	1,646,702	1,662,926
Government	789,951	649,362
Municipal	709,142	793,733
Small holdings and farms	2,808,216	2,802,168
	11,360,411	11,360,073

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

A general rate of R0.0068 (2015: R0.0068) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R22,000 (2015: R22,000) are granted to residential properties and a further 25% (2014: 25%) rebate to pensioners.

A general rate of R0.0204 (2015: R0.0192) is applied to business, industrial, commercial and public service infrastructure property valuations to determine assessment rates. Rebates of 50% (2015: 50%) are granted to public service infrastructure only.

A general rate of R0.0068 (2014: R0.0068) is applied to farm property valuations to determine assessment rates. Rebates of 85% (2015: 85%) are granted to farmers. The rebates granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act no 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date for payment being 7 August 2015. Rates for all other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2014: prime plus 1%) is levied on rates outstanding after the due date.

The new general valuation will be implemented on 01 July 2017.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
28. Government grants and subsidies		
Operating grants		
Equitable share	125,216,000	125,096,350
Expanded Public Works Programme Grant	1,000,000	1,067,000
Municipal Systems Improvement Grant	930,000	934,000
Equitable shares - Councillors Remuneration Grant	-	6,272,650
Financial Management Grant	1,600,000	1,600,000
Library Grant	2,000,000	1,667,000
	130,746,000	136,637,000
Capital grants		
Municipal infrastructure grant (MIG)	37,428,000	34,410,000
Department of Water affairs grant (DWAf)	38,988,471	27,324,645
Water operating grant	2,500,000	5,500,000
National Development Electrification Grant	-	-
	78,916,471	67,234,645
	209,662,471	203,871,645
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	84,446,471	72,502,645
Unconditional grants received	125,216,000	131,369,000
	209,662,471	203,871,645
Equitable Share		
Current-year receipts	125,216,000	119,180,350
Other	-	5,915,961
Conditions met - transferred to revenue	(125,216,000)	(125,096,311)
	-	-
The equitable share allocation was fully utilised during the financial year.		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Equitable Share - Councillors Remuneration Grant		
Current-year receipts	-	6,272,650
Conditions met - transferred to revenue	-	(6,272,650)
	-	-
The councillors remuneration grant was fully utilised during the financial year.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	5,915,961
Current-year receipts	37,428,000	34,410,000
Conditions met - transferred to revenue	(37,428,000)	(34,410,000)
Other	-	(5,915,961)
	-	-

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

28. Government grants and subsidies (continued)

This grant was fully utilised for the upgrading of sports facilities, sanitation (upgrading of waste water treatment works) and the construction of roads during the year.

Municipal Systems Improvement Grant

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

The municipal systems improvement grant was fully utilised during the financial year.

Financial Management Grant

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	-	-

The municipal management grant was fully utilised during the financial year.

Expanded Public Works Programme Grant

Current-year receipts	1,000,000	1,067,000
Conditions met - transferred to revenue	(1,000,000)	(1,067,000)
	-	-

The expanded public works programme grant was fully utilised during the financial year.

Department of Water Affairs Grant

Balance unspent at beginning of year	-	3,863,699
Current-year receipts	38,988,471	23,460,946
Conditions met - transferred to revenue	(38,988,471)	(27,324,645)
	-	-

This grant was utilised during the year for the upgrading of the water infrastructure network to Paul Roux and Rosendal.

Water Services Operating Grant

Current-year receipts	2,500,000	5,500,000
Conditions met - transferred to revenue	(2,500,000)	(5,500,000)
	-	-

The water service operating grant was fully utilised during the financial year.

Library Grant

Current-year receipts	2,000,000	1,667,000
Conditions met - transferred to revenue	(2,000,000)	(1,667,000)
	-	-

The library grant was fully utilised during the financial year.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

28. Government grants and subsidies (continued)

National Development Electrification Grant

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	-	-
	5,000,000	-

Conditions still to be met - remain liabilities (see note 18).

This grant were not utilized during the year under review.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2015) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Employee costs

Basic	115,105,931	100,251,860
Bonus	8,452,864	7,707,426
Medical aid - company contributions	13,412,734	13,229,047
UIF company contributions	1,166,044	1,027,053
Other payroll levies	68,736	62,688
Leave pay provision charge	3,802,050	2,624,932
Defined contribution plans	5,234,979	3,493,406
Overtime payments	9,156,099	8,066,140
Acting allowances	6,378,148	4,949,527
Car allowance	4,292,272	3,418,904
Housing benefits and allowances	2,213,644	373,066
Group life insurance	241,895	230,637
Pensionfund contributions	19,998,856	17,800,059
Other allowances	1,171,203	896,192
Telephone allowances	263,750	246,038
Relief payments	3,432,719	2,630,514
	194,391,924	167,007,489

Remuneration of municipal manager

Annual Remuneration	66,276	812,929
Car Allowance	15,000	131,044
Leave paid out	136,583	-
Contributions to UIF, Medical and Pension Funds	1,323	9,183
Cellphone allowance	1,500	12,000
	220,682	965,156

Mr B Molotsi as from 1 July 2015 to 27 July 2015.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

29. Employee costs (continued)

Remuneration of chief finance officer

Annual Remuneration	381,811	932,611
Car Allowance	138,801	333,135
Leave paid out	349,448	-
Contributions to UIF, Medical and Pension Funds	17,245	14,396
Cellphone allowance	6,000	12,000
Acting allowance as municipal manager	79,617	-
	972,922	1,292,142

Mr RP Provis only leave paid out. Mr PD Khiba from 1 January 2016 to 30 June 2016.

Remuneration of director public works

Annual Remuneration	1,014,275	947,804
Car Allowance	346,439	333,494
Contributions to UIF, Medical and Pension Funds	14,757	14,037
Cellphone allowance	12,000	12,000
	1,387,471	1,307,335

Mr AB Masuku from 1 July 2015 to 30 June 2016.

Remuneration of director corporate services

Annual Remuneration	1,014,275	932,710
Car Allowance	400,549	374,605
Leave paid out	81,300	-
Contributions to UIF, Medical and Pension Funds	16,980	14,876
Cellphone allowance	12,000	12,000
Acting allowance as municipal manager	140,992	94,160
	1,666,096	1,428,351

Mr BP Molatseli from 1 July 2015 to 30 June 2016.

Remuneration of director community services

Annual Remuneration	1,014,275	947,804
Car Allowance	350,928	335,141
Leave paid out	81,284	75,967
Contributions to UIF, Medical and Pension Funds	15,570	14,886
Cellphone allowance	12,000	12,000
Acting allowance as municipal manager	-	21,102
	1,474,057	1,406,900

Mrs MC Sepheka from 1 July 2015 to 30 June 2016.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
29. Employee costs (continued)		
Remuneration director of local economic development		
Annual Remuneration	1,014,275	947,804
Car Allowance	346,331	328,293
Leave paid out	157,252	-
Contributions to UIF, Medical and Pension Funds	16,403	14,048
Cellphone allowance	12,000	12,000
Acting allowance as municipal manager	7,374	-
	1,553,635	1,302,145

Mrs GT Hadebe from 1 July 2015 to 30 June 2016.

30. Remuneration of councillors

2016	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	629,649	157,412	20,868	807,929
Speaker	503,718	125,929	20,868	650,515
Chief whip	472,237	118,059	20,868	611,164
Chairman Public Accounts committee	440,754	110,188	20,868	571,810
Chairman Policy committee	243,563	60,891	20,868	325,322
Mayoral executive committee	3,777,895	944,474	166,944	4,889,313
Councillors	5,116,280	1,279,073	562,555	6,957,908
	11,184,096	2,796,026	833,839	14,813,961
2015	Allowance	Travel allowance	Cell phone allowance	Total
Executive Mayor	602,455	143,575	20,868	766,898
Speaker	481,962	114,860	20,868	617,690
Chief whip	451,840	107,682	20,868	580,390
Chairman Public Accounts committee	359,277	80,459	16,623	456,359
Chairman Policy committee	38,296	9,574	3,478	51,348
Mayoral executive committee	3,614,724	861,453	166,944	4,643,121
Councillors	4,856,954	1,167,126	565,356	6,589,436
	10,405,508	2,484,729	815,005	13,705,242

In-kind benefits

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

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

31. Depreciation, impairment and amortisation

Intangible assets	111,600	33,816
Property, plant and equipment	67,799,367	73,117,840
	67,910,967	73,151,656

Also refer to the detail note on Intangible assets (Note 12) and Property, plant and equipment (Note 11) for the details on depreciation and impairment.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
32. Finance costs		
Penalties and Interest on late payment of VAT	790,842	930,496
Other interest paid	16,293,816	18,184,755
	17,084,658	19,115,251
33. Debt impairment		
Contributions to debt impairment on consumer debtors	35,786,175	118,098,573
Contributions to debt impairment on non-exchange debtors	11,644,119	24,562,889
Bad debts written off	93,797,161	1,616,893
	141,227,455	144,278,355
34. Bulk purchases		
Electricity	141,393,851	125,365,049
35. Contracted services		
Meter reading services - Kopanong CC	2,636,051	1,630,197

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
36. Grants and subsidies paid		
37. General expenses		
Advertising	761,893	351,417
Assets expensed	450,120	136,026
Auditors remuneration	4,905,870	5,172,914
Bank charges	1,124,071	1,236,373
Bursaries	3,083,251	2,272,199
Capital projects	599,397	(835,610)
Chemicals	1,300,416	2,528,924
Commission paid	-	2,074,880
Community development and training	11,033,339	5,303,818
Consulting and professional fees	23,754,707	18,004,925
Consumables	213,442	89,331
Disaster management	-	763,647
Donations	3,106,431	1,832,317
Electricity charges	-	67,927
Entertainment	272,159	256,929
EPWP Grant expenses	331,054	-
Fines and penalties	21,661	166,487
Flowers	67,688	64,966
Fuel and oil	8,063,637	8,107,938
Insurance	4,709,415	5,272,799
Lease expenses	16,719,964	18,625,241
License fees	1,994,729	1,941,089
Management of landfill site	11,217,322	8,230,792
Packaging	61,185	-
Pauper burials	124,976	106,330
Postage and courier	2,115,475	1,501,841
Printing and stationery	988,617	655,166
Promotions and marketing	79,462	13,661
Public participation expenses	6,455,484	4,809,733
Rental of equipment	9,459,124	10,239,111
Security (Guarding of municipal property)	15,132,812	11,135,814
Staff training	1,335,881	1,486,668
Subscriptions and membership fees	3,702,608	3,267,086
Telephone and fax	3,441,089	3,133,464
Travel - local	3,194,185	2,487,543
Uniforms	1,530,362	1,335,025
	141,351,826	121,836,771
38. Fair value adjustments		
Other financial assets / liabilities		
• Investments	27,327	145,099
39. Auditors' remuneration		
Fees	4,905,870	5,172,914
40. Operating lease income		
Projected income from operating lease agreements		
- Within one year	391,758	597,229
- In second to fifth years (inclusive)	1,797,967	1,677,173
- Longer than 5 years	238,944	751,496
	2,428,669	3,025,898

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
40. Operating lease income (continued)		
Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter the contract is done on a month to month basis. All the house and flat contracts got a month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contacts for business premises (7) rental are signed for a periods from 3 year to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.		
41. Cash generated from operations		
Deficit	(54,274,727)	(48,665,770)
Adjustments for:		
Depreciation and amortisation	67,910,967	73,151,656
(Loss) / Profit on sale of assets and liabilities	5,960,198	(168,253)
Gain (loss) on game stock	72,750	(1,003,375)
Actuarial gain	(2,032,000)	(2,149,000)
Fair value adjustments on investment property	-	28,475,194
Fair value adjustments on investments	(27,327)	(145,099)
Debt impairment	141,227,455	144,278,355
Movements in retirement benefit assets and liabilities	(1,979,000)	(1,805,000)
Movements in provisions	4,205,539	2,060,686
Changes in working capital:		
Inventories	(734,386)	435,146
Receivables from exchange transactions	(5,434,872)	4,191,666
Consumer debtors	(128,611,143)	(121,236,389)
Other receivables from non-exchange transactions	(9,811,578)	(25,853,912)
Payables from exchange transactions	42,928,808	14,408,706
VAT	(2,276,977)	13,142,813
Unspent conditional grants and receipts	5,000,000	(9,779,660)
Consumer deposits	1,035,826	1,199,060
	63,159,533	70,536,824

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

42. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,472,952	-	-	1,472,952
Trade and other receivables from exchange transactions	-	21,405,042	-	21,405,042
Other receivables from non-exchange transactions	-	2,612,171	170,000	2,782,171
Consumer debtors	-	60,963,877	-	60,963,877
Cash and cash equivalents	-	150,693	-	150,693
	1,472,952	85,131,783	170,000	86,774,735

Financial liabilities

	At amortised cost	Total
Other financial liabilities	44,580,921	44,580,921
Trade and other payables from exchange transactions	224,068,538	224,068,538
Taxes and transfers payable (non-exchange)	31,390,675	31,390,675
Bank overdraft	7,519,029	7,519,029
	307,559,163	307,559,163

2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,445,793	-	-	1,445,793
Trade and other receivables from exchange transactions	-	18,192,779	-	18,192,779
Other receivables from non-exchange transactions	-	4,546,757	170,000	4,716,757
Consumer debtors	-	61,936,072	-	61,936,072
Cash and cash equivalents	-	4,256,812	-	4,256,812
	1,445,793	88,932,420	170,000	90,548,213

Financial liabilities

	At amortised cost	Total
Other financial liabilities	47,441,873	47,441,873
Trade and other payables from exchange transactions	184,067,643	184,067,643
Taxes and transfers payable (non-exchange)	36,624,456	36,624,456
	268,133,972	268,133,972

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
43. Commitments		
Authorised capital and operational expenditure		
Capital expenditure		
• Property, plant and equipment	69,136,010	45,715,396
Operational expenditure		
• Insurance	14,875,347	12,472,666
• Security services	37,093,905	-
• Laboratory services	-	53,834
• Town planning	991,800	-
• Landfill site management	21,778,443	-
• Valuation roll maintenance	2,002,363	-
• General maintenance	69,017,275	-
• Special projects	2,612,383	-
	148,371,516	12,526,500
Total capital commitments		
Capital commitments	69,136,010	45,715,396
Operational commitments	148,371,516	12,526,500
	217,507,526	58,241,896

This committed expenditure of the following cannot be determined due to the variable nature of the contract:

Project Description:	Carboncor - Supply and delivery of 25 kg bags of cold mix asphalt	
Project Value:	R70.22 per 25kg bag	
Expenditure to date:	R1 719 084 (2016)	R1 328 383 (2015)
Project Description:	Oos Vrystaat Grondverskuiwing - Hire of yellow plant and equipment	
Project Value:	As per pricing schedule	
Expenditure to date:	R13 324 500 (2016)	R8 482 831 (2015)
Project Description:	Bohlokong Computers - Design and administer Information, Communication and Technology services	
Project Value:	As per pricing schedule	
Expenditure to date:	R6 207 505 (2016)	
Project Description:	Integral Laboratories - Laboratory services for the analysis of water and waste water samples	
Project Value:	As per pricing schedule	
Expenditure to date:	R190 692 (2016)	R242 730 (2015)
Project Description:	Hamisa - Supply and delivery of fuel	
Project Value:	As per regulated tariffs by Department of Energy	
Expenditure to date:	R5 672 092 (2016)	R3 301 689 (2015)
Project Description:	Pumpshop Africa & Tecoveer - Appointment of service provider to refurbish, maintain, supply, deliver and install electrical and mechanical equipment	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

43. Commitments (continued)

Project Value: As per pricing schedule

Expenditure to date: R1 923 351 (2016) R463 307 (2015)

Project Description: Walking Tall Trading and Projects - Supply and Delivery of Personnel Protective Equipment

Project Value: As per pricing schedule

Expenditure to date: R1 340 164 (2016)

Project Description: Ben Ben Technologies (Pty) Ltd - Mechanical services, repairs and maintenance of municipal vehicles

Project Value: As per pricing schedule

Expenditure to date: R1 064 523 (2016)

Project Description: Radimpe Construction and General Trade - Supply and delivery of Electricity Materials

Project Value: As per pricing schedule

Expenditure to date: R1 734 964 (2016)

Project Description: Jicama Trading, Blendtech and Born Free Investments - Supply and delivery of chemicals for water purification

Project Value: As per pricing schedule

Expenditure to date: R- (2016)

Project Description: Clarens Village Conservacy - Enviromental management and waste recycling serives at Clarens Unit

Project Value: As per pricing schedule

Expenditure to date: R75 049 (2016) R70 801 (2015)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

44. Contingencies

The following civil cases are currently being finalised:

Bruce Dixon Edward Weyer:

This case is handled by Breytenbach Mavuso Attorneys and is regarding the renting and buying of a Caravan Park in Clarens. No liability for Council at this stage.

Telkom Limited SA/DLM:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R141 514. Telkom claim that a sewerage spillage damaged their equipment. Possible liability of R141 514.

Udumo Trading 147 CC:

This case is handled by Breytenbach Mavuso Attorneys and is regarding a claim that Udumo Trading lodged against the Dihlabeng Local Municipality for R1 159 000. Udumo claim that they completed a reservoir in Clarens and was not fully paid. Possible liability of R1 159 000.

Wage curve agreements:

Dihlabeng has not been task graded as yet and therefore the new T scales cannot be implemented. No job grade evaluations has been done either for the posts at DLM. Since this information is not available yet, no financial implications can be established. Only after the job evaluations has been accepted and approved by all the applicable parties a financial implication can be calculated.

N and C Maintenance and Spares (Pty) Ltd:

This case is handled by Breytenbach Mavuso Inc. and is regarding an outstanding payment for services rendered by N and C Maintenance and Spares (Pty) Ltd. Possible liability is not yet established.

South African Municipal Workers Union (SAMWU) National Provident Fund:

This case is handled by Breytenbach Mavuso Inc. The SAMWE Provident Fund is claiming an amount of R2 370 801 for loss of income due to the fact that dismissed employees changed pension funds. Possible liability of R2 370 801.

GT Enslin and ZT Enslin:

This case is handled by Symington and De Kok Attorneys, Bloemfontein, and is regarding a motor accident claim of Mr GT Enslin and ZT Enslin to the amount of R872 381. It must be noted that this is also an insurance claim. Possible liability of R872,381.

Telkom SA Soc Ltd:

This case is handled by Breytenbach Mavuso Inc and is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the total amount of R428 485. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged at or near Stand 653, at or near Stands 36, 60, 102 and 145 and at or near Stand 400, Fateng tse Ntsho, Paul Roux. Possible liability of R428 485.

KP Mosia:

This case is handled by Breytenbach Mavuso Inc and is regarding a claim for water damages to Erven 66 and 284, Kgubetswana, Clarens. Possible liability of R73 031.

Cybko Security Services CC:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the awarding of a tender to Zero Tolerance Security for the provision of physical security services for a period of three years. Possible liability is not yet established.

TMT Services & Supplies (Pty) Ltd t/a Traffic Management Technologies (Pty) Ltd:

This case is handled by Niemann Grobbelaar Attorneys and is regarding an outstanding payment of service fees for services rendered by TMT Services & Supplies (Pty) Ltd.

Van Niekerk B R: Hangar 5:

This case is handled by Breytenbach Mavuso Inc and is regarding an eviction from Hangar 5 at the Bethlehem Airfield. Liability is not yet established.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand 2016 2015

44. Contingencies (continued)

Emendo Inc: Development Agreement: Bakenpark Extensions 5, 6 & 7:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the lodging of a High Court Application regarding the appointment of Emendo Inc to nullify the agreement of the land availability and development agreement for Bakenpark Extensions 5, 6 & 7.

Ke a Dira Construction:

This case is handled by Niemann Grobbelaar Attorneys and is regarding the appointment of another service provider for the construction of 1,8 km block paved roads and storm water drains in Bohlokong, Bethlehem.

Druza Construction CC:

This case is regarding an outstanding payment for services rendered by Druza Construction for the construction of paved roads in Bohlokong, Bethlehem.

Telkom SA Soc Ltd: 3 March 2014:

This case is regarding a claim that Telkom lodged against the Dihlabeng Local Municipality to the amount of R28,806. Telkom claim that telecommunication cables and/or telecommunication infrastructure was damaged at or near Stand 6646 and 6648, Theronville.

SAMWU obo Mafika Nhlapo:

That the arbitration award issued by the South African Local Government Bargaining Council (SALGBC) be made an order of the Labour Court. The review of this award is handled by Niemann Grobbelaar.

45. Related parties

Relationships

Municipal staff members

Ahanang Retail Co-operative Ltd from Mr CP Changube and MA Maleka
Motlohi Trading and Business Enterprise from Mr AT Ramakatsa and NS Miya

Related party transactions

Purchases from related parties

Motlohi Trading & Business Enterprise	-	22,500
Ahanang Retail Co-operative Ltd	-	32,500

46. Prior period errors

Various completed work in progress projects were not capitalized in the correct year and the related depreciation were also corrected.

Heritage assets were accounted for in terms of GRAP.

Subsidies given to indigent consumers were written back to the various income accounts.

Permission were obtained to use the unspent library grant for salary related expenditure of the library personnel and the related adjustments were made to the unspent conditional grants.

The provision for the environmental rehabilitation were corrected to agree to the assessment done by the Environmental specialist.

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

Statement of financial position	2015	2014
Property, plant and equipment	(2,630,588)	5,478,779
Unspent conditional grants	1,451,381	-
Heritage assets	-	45,355,000
Provisions	2,433,190	(2,943,205)
Opening Accumulated Surplus or Deficit	-	(47,890,574)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

46. Prior period errors (continued)

Statement of Financial Performance

Service charges	8,366,615	-
Grants received	(1,451,381)	-
Property rates	732,779	-
Depreciation	2,630,588	-
General expenditure	(2,760,956)	-
Indigent subsidies	(9,099,393)	-
Finance cost	327,765	-

47. 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 accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer 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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Contractual cashflow	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	44,580,921	3,828,264	16,399,972	24,352,685
Derivative financial instruments	29,542,992	29,542,992	-	-
Trade and other payables	194,525,546	194,525,546	-	-
At 30 June 2015	Contractual cashflow	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	47,441,873	3,504,480	18,900,060	25,037,333
Derivative financial instruments	22,594,707	22,594,707	-	-
Trade and other payables	161,472,936	161,472,936	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

47. Risk management (continued)

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management.

Interest rate risk

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

Price risk

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 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.

48. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had incurred a net loss of R54 274 727 (2015: R48 665 770) during the year, and that the municipality's current liabilities exceed its current assets by R214,755,350. The municipality is not able to timeously recover outstanding amounts from consumer debtors and this is resulting in the inability to pay their suppliers within the 30 day time period.

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

49. Events after the reporting date

There is no events after the reporting date.

50. Unauthorised expenditure

Opening balance	75,867,526	34,392,693
Current year unauthorised expenditure	76,123,483	102,474,833
Less: Approved by Council during the year	(34,392,693)	-
Less: Approved by Council after year-end	(50,000,000)	(61,000,000)
	67,598,316	75,867,526

The reason for the unauthorised expenditure was mainly the increase in the provision for bad debts above the budgeted amount of R46m. An amount of R50million was already approved / written off by council on 30 August 2016 with resolution number 55/2016. No criminal or disciplinary steps taken will be taken as a consequence of above expenditure.

51. Fruitless and wasteful expenditure

Opening balance	25,295,005	11,094,761
Interest paid during the year	11,887,300	14,002,017
Overpayment to councillor	-	198,227
Less: Approved by Council during the current year	(11,094,761)	-
	26,087,544	25,295,005

Interest and penalties paid on Eskom, SARS and other creditors occurred due to cash flow constraints during the year.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

52. Irregular expenditure

Opening balance	124,096,494	86,461,006
Add: Irregular Expenditure - current year	37,079,173	37,635,488
Less: Amounts written off by Council	(86,461,006)	-
	74,714,661	124,096,494

Analysis of expenditure awaiting approval

Current year: SCM processes	14,260,575	14,007,832
Current year: SCM deviations	17,818,598	23,627,656
Conditional grant not used in terms of conditions	5,000,000	-
Prior years: SCM processes	14,007,832	57,880,929
Previous years: SCM deviations	23,627,656	28,580,077
	74,714,661	124,096,494

Possible irregular expenditure pending further investigation

Name of director	State institution where employed	Company name	Amount of expenditure
Mr and Mrs Pretorius	South African Express	Heymic Aviation	12,440
Mr T Thebele	Small Enterprise Development Agency	Thibella Trading	26,298
Mr S J Mokoena	Eskom Holdings Limited	Mamello Trading 848 CC	26,396
Ms M Mokoena	Free State Education	Like it in Style	9,000
Mr K Radebe	National Public Works	Mvukubona Trading (Pty) Ltd	280,000
Mr T Mpatuli	Department of Defence	Funky Sounds and Events	23,500
Mr Pompei Esaiyah	Ekurhuleni Metro	Boni Guru Holdings	47,325
Mr M Mngomezulu	Independent Electoral Commission	Boni Guru Holdings	-
Ms P Fihlo	National Labour	Heavenly Grace (Pty) Ltd	13,300
Mr H Manzi	Independent Development Trust	The Courier & Freight Group (Pty) Ltd	28,924
Mr J Mathibe	Johannesburg Fresh Produce Market	The Courier & Freight Group (Pty) Ltd	-
Mr P Shu'ayb	South African Post Office	The Courier & Freight Group (Pty) Ltd	-
Mr Alex Darko	Transnet Group	Business Connexion (Pty) Ltd	3,475,125
			3,942,308

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,720,204	1,614,080
Current year subscription / fee	1,907,070	1,720,204
Amount paid - current year	(1,720,204)	(1,614,080)
	1,907,070	1,720,204

Audit fees

Opening balance	901,666	47,373
Current year fee	5,084,187	5,552,333
Amount paid - current year	(4,819,737)	(4,650,667)
Amount paid - previous years	(901,666)	(47,373)
	264,450	901,666

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

PAYE and UIF

Opening balance	1,682,864	1,631,796
Current year deductions and contributions	24,151,494	19,148,237
Amount paid - current year	(22,116,691)	(17,465,373)
Amount paid - previous years	(1,682,864)	(1,631,796)
	2,034,803	1,682,864

Pension and Medical Aid Deductions

Opening balance	4,184,658	7,644,981
Current year deductions and contributions	65,999,248	48,584,081
Amount paid - current year	(61,219,366)	(44,399,423)
Amount paid - previous years	(4,184,658)	(7,644,981)
	4,779,882	4,184,658

VAT

VAT payable	34,347,479	36,624,456
-------------	------------	------------

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

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

Councillors' arrear consumer accounts

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

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	22,962	160,557	183,519
NN Nzimande	3,669	80,043	83,712
TA Masoeu	2,503	9,249	11,752
TM Mofokeng	3,057	4,215	7,272
TMH Mofokeng	1,180	59,046	60,226
J Nhlapo	2,287	31,140	33,427
MK Mofokeng	2,555	1,762	4,317
AM Noosi	3,540	9,620	13,160
TP Ramaele	2,048	26,217	28,265
JM Radebe	1,246	1,518	2,764
A Mofokeng	2,585	16,930	19,515
F Mhlambi	5,456	94,983	100,439
	53,088	495,280	548,368

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	19,947	148,929	168,876
NN Nzimande	2,474	71,771	74,245
TA Masoeu	1,829	7,723	9,552
TM Mofokeng	1,686	3,766	5,452
TMH Mofokeng	1,058	53,933	54,991
J Nhlapo	2,051	27,702	29,753
JT Mokoena	1,818	4,493	6,311
MK Mofokeng	2,009	60	2,069
AM Noosi	1,950	19,890	21,840
TP Ramaele	1,770	20,478	22,248
JM Radebe	25	872	897
Mofokeng	1,968	10,638	12,606
F Mokoena	1,854	3,281	5,135
F Mhlambi	4,229	82,160	86,389
	44,668	455,696	500,364

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

30 June 2016	Highest outstanding amount	Aging (in days)
PD Lengoabala	183,730	120
NN Nzimande	83,712	120
TA Masoeu	11,752	120
TM Mofokeng	7,272	120
TMH Mofokeng	60,226	120
J Nhlapo	33,427	120
MK Mofokeng	4,317	120
AM Noosi	23,690	120
TP Ramaele	28,265	120
JM Radebe	2,765	120

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

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

A Mofokeng	19,515	120
F Mhlambi	100,439	120
	559,110	1,440

30 June 2015

	Highest outstanding amount	Aging (in days)
PD Lengoabala	168,876	120
NN Nzimande	74,245	120
TA Masoeu	9,551	120
TM Mofokeng	5,452	120
TMH Mofokeng	54,991	120
J Nhlapo	29,753	120
JT Mokoena	6,311	120
MK Mofokeng	2,069	120
AM Noosi	21,840	120
TP Ramaele	22,248	120
JM Radebe	897	120
A Mofokeng	12,606	120
F Mokoena	5,135	120
F Mhlambi	86,388	120
	500,362	1,680

Supply chain management regulations

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

Incident

Emergencies	261,696	435,457
Sole providers	1,084,713	2,037,977
Impractical	291,970	-
	1,638,379	2,473,434

54. Budget differences

Material differences between budget and actual amounts

Refer to paragraph 2.4 of the Accounting officers report for the detail explanations of the material variances.

55. In-kind donations and assistance

About 1 600 blankets was donated to the elders, women societies and indigent people in different wards during the year.

The council donated 944 pairs of shoes to disadvantaged children at various school within the community.

870 food parcels were donated by the mayor and speaker to various community members.

110 school uniforms were donated to school kids in the community.

3 laptops were donated to students studying in Cuba and 100 calculators to needy kids at an education jamboree event.

Cash amounts were also donated to various schools in the Dihlabeng area

Dihlabeng Local Municipality

Appendix A

June 2016

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
Long term loan	61007269 30/06/2025	47,441,873	-	2,860,952	44,580,921	-	-
		47,441,873	-	2,860,952	44,580,921	-	-
Total external loans							
Development Bank of South Africa		47,441,873	-	2,860,952	44,580,921	-	-
		47,441,873	-	2,860,952	44,580,921	-	-

Dihlabeng Local Municipality
Dihlabeng Local Municipality

Appendix B

June 2016

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land Owned	415,474,500	-	-	-	-	-	415,474,500	-	-	-	-	-	-	415,474,500
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Buildings - Solid waste	17,643,660	-	-	-	-	-	17,643,660	(5,019,969)	-	-	(742,512)	-	(5,762,481)	11,881,179
	437,723,523	-	-	-	-	-	437,723,523	(5,019,969)	-	-	(742,512)	-	(5,762,481)	431,961,042
Infrastructure														
Water	422,527,594	14,198,415	-	17,993,637	-	-	454,719,646	(90,631,705)	-	-	(15,247,086)	-	(105,878,791)	348,840,855
Sewer	386,030,856	-	-	-	-	-	386,030,856	(92,317,891)	-	-	(14,868,849)	-	(107,186,740)	278,844,116
Roads	375,389,766	1,489,480	-	4,420,371	-	-	381,299,617	(128,928,850)	-	-	(15,416,596)	-	(144,345,446)	236,954,171
Electricity	154,195,285	-	-	-	-	-	154,195,285	(46,156,094)	-	-	(5,974,565)	-	(52,130,659)	102,064,626
Railways	48,755,739	-	-	-	-	-	48,755,739	(18,960,565)	-	-	(2,708,652)	-	(21,669,217)	27,086,522
Work in progress	48,706,176	55,899,174	-	(27,940,459)	-	-	76,664,891	-	-	-	-	-	-	76,664,891
	1,435,605,416	71,587,069	-	(5,526,451)	-	-	1,501,666,034	(376,995,105)	-	-	(54,215,748)	-	(431,210,853)	1,070,455,181
Community Assets														
Land	142,296,849	-	(1,994,986)	-	-	-	140,301,863	-	-	-	-	-	-	140,301,863
Buildings	250,331,124	322,183	(7,580,945)	5,575,945	-	310	248,648,617	(60,769,292)	-	-	(9,536,947)	-	(70,306,239)	178,342,378
	392,627,973	322,183	(9,575,931)	5,575,945	-	310	388,950,480	(60,769,292)	-	-	(9,536,947)	-	(70,306,239)	318,644,241

Dhlabeng Local Municipality
Dhlabeng Local Municipality
Appendix B

June 2016

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Motor vehicles	12,584,886	-	(25,030)	-	-	131,565	12,691,421	(8,406,656)	-	-	(649,484)	-	(9,056,140)	3,635,281
Office equipment	9,827,165	1,141,786	(42,728)	-	-	68,533	10,994,756	(7,737,855)	-	-	(921,998)	-	(8,659,853)	2,334,903
Bins and containers	1,257,505	-	-	-	-	140	1,257,645	(883,727)	-	-	(76,308)	(149)	(960,184)	297,461
Emergency equipment	337,267	-	(57,175)	-	-	3,080	283,172	(217,195)	57,104	-	(17,806)	(2,929)	(180,826)	102,346
Furniture & Fittings	4,422,426	320,739	(2,414)	(49,494)	-	9,693	4,700,950	(2,907,677)	-	-	(491,171)	-	(3,398,848)	1,302,102
Security equipment	6,139	-	-	-	-	-	6,139	(5,862)	-	-	(275)	-	(6,137)	2
Plant and equipment	16,076,717	581,586	(25,730)	-	-	6,601	16,639,174	(10,874,651)	-	-	(1,145,769)	-	(12,020,420)	4,618,754
	44,512,105	2,044,111	(153,077)	(49,494)	-	219,612	46,573,257	(31,033,623)	57,104	-	(3,302,811)	(3,078)	(34,282,408)	12,290,849

Dihlabeng Local Municipality
Dihlabeng Local Municipality

Appendix B

June 2016

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	437,723,523	-	-	-	-	-	437,723,523	(5,019,969)	-	-	(742,512)	-	(5,762,481)	431,961,042
Infrastructure	1,435,605,416	71,587,069	-	(5,526,451)	-	-	1,501,666,034	(376,995,105)	-	-	(54,215,748)	-	(431,210,853)	1,070,455,181
Community Assets	392,627,973	322,183	(9,575,931)	5,575,945	-	310	388,950,480	(60,769,292)	-	-	(9,536,947)	-	(70,306,239)	318,644,241
Other assets	44,512,105	2,044,111	(153,077)	(49,494)	-	219,612	46,573,257	(31,033,623)	57,104	-	(3,302,811)	(3,078)	(34,282,408)	12,290,849
	2,310,469,017	73,953,363	(9,729,008)	-	-	219,922	2,374,913,294	(473,817,989)	57,104	-	(67,798,018)	(3,078)	(541,561,981)	1,833,351,313
Agricultural/Biological assets														
Game stock	3,798,825	-	-	-	(72,750)	-	3,726,075	-	-	-	-	-	-	3,726,075
	3,798,825	-	-	-	(72,750)	-	3,726,075	-	-	-	-	-	-	3,726,075
Intangible assets														
Computers - software & programming	2,079,733	1,906,319	-	-	-	-	3,986,052	(2,009,975)	-	-	(111,600)	-	(2,121,575)	1,864,477
	2,079,733	1,906,319	-	-	-	-	3,986,052	(2,009,975)	-	-	(111,600)	-	(2,121,575)	1,864,477
Investment properties														
Investment property	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
Total														
Land and buildings	437,723,523	-	-	-	-	-	437,723,523	(5,019,969)	-	-	(742,512)	-	(5,762,481)	431,961,042
Infrastructure	1,435,605,416	71,587,069	-	(5,526,451)	-	-	1,501,666,034	(376,995,105)	-	-	(54,215,748)	-	(431,210,853)	1,070,455,181
Community Assets	392,627,973	322,183	(9,575,931)	5,575,945	-	310	388,950,480	(60,769,292)	-	-	(9,536,947)	-	(70,306,239)	318,644,241
Other assets	44,512,105	2,044,111	(153,077)	(49,494)	-	219,612	46,573,257	(31,033,623)	57,104	-	(3,302,811)	(3,078)	(34,282,408)	12,290,849
Agricultural/Biological assets	3,798,825	-	-	-	(72,750)	-	3,726,075	-	-	-	-	-	-	3,726,075
Intangible assets	2,079,733	1,906,319	-	-	-	-	3,986,052	(2,009,975)	-	-	(111,600)	-	(2,121,575)	1,864,477
Investment properties	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	2,392,818,769	75,859,682	(9,729,008)	-	(72,750)	219,922	2,459,096,615	(475,827,964)	57,104	-	(67,909,618)	(3,078)	(543,683,556)	1,915,413,059

Dihlabeng Local Municipality
Dihlabeng Local Municipality
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land Owned	415,474,500	-	-	-	-	-	415,474,500	-	-	-	-	-	-	415,474,500
Land - Solid waste	4,605,363	-	-	-	-	-	4,605,363	-	-	-	-	-	-	4,605,363
Building - Solid waste	13,930,005	-	-	-	-	-	13,930,005	(2,766,430)	-	-	(757,396)	-	(3,523,826)	10,406,179
	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure														
Water	355,110,528	1,562,485	-	53,998,967	-	-	410,671,980	(75,177,679)	-	-	(15,223,676)	-	(90,401,355)	320,270,625
Sewer	329,416,009	1,649,233	-	22,726,103	-	-	353,791,345	(78,307,477)	-	-	(13,217,160)	-	(91,524,637)	262,266,708
Roads	366,254,848	5,567,302	-	3,567,616	-	-	375,389,766	(112,666,229)	-	-	(16,262,621)	-	(128,928,850)	246,460,916
Electricity	150,955,130	2,766,592	-	-	-	-	153,721,722	(41,965,565)	-	-	(5,599,544)	-	(47,565,109)	106,156,613
Railways	48,755,739	-	-	-	-	-	48,755,739	(16,251,913)	-	-	(2,708,652)	-	(18,960,565)	29,795,174
Work in progress	105,296,218	41,608,926	-	(91,919,327)	-	-	54,985,817	-	-	-	-	(6,279,641)	(6,279,641)	48,706,176
	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets														
Land	142,296,849	-	-	-	-	-	142,296,849	-	-	-	-	-	-	142,296,849
Buildings	231,826,682	2,478,919	-	7,711,669	-	-	242,017,270	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	193,748,186
	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035

Dihlabeng Local Municipality
Dihlabeng Local Municipality
Appendix B

June 2016

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other assets														
Motor vehicles	12,467,530	117,356	-	-	-	729,754	13,314,640	(7,756,531)	-	-	(659,317)	(15,827)	(8,431,675)	4,882,965
Office equipment	9,244,463	579,560	-	-	-	292	9,824,315	(6,726,005)	-	-	(719,250)	(589,097)	(8,034,352)	1,789,963
Bins and containers	1,257,505	-	-	-	-	-	1,257,505	(807,374)	-	-	(76,308)	(132)	(883,814)	373,691
Emergency equipment	333,120	-	-	-	-	-	333,120	(196,704)	-	-	(17,011)	(6,904)	(220,619)	112,501
Security equipment	6,139	-	-	-	-	-	6,139	(5,583)	-	-	(279)	-	(5,862)	277
Plant and equipment	15,913,785	79,763	-	-	-	5,693	15,999,241	(9,401,566)	-	-	(1,109,894)	(412,439)	(10,923,899)	5,075,342
Furniture and fixtures	4,355,470	56,267	-	-	-	1,456	4,413,193	(2,424,309)	-	-	(422,779)	(168,090)	(3,015,178)	1,398,015
	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754

Dihlabeng Local Municipality
Dihlabeng Local Municipality
Appendix B

June 2016

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035
Other assets	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754
	2,207,499,883	56,466,403	-	(3,914,972)	-	737,195	2,260,788,509	(394,855,994)	-	-	(64,640,342)	(7,472,130)	(466,968,466)	1,793,820,043
Agricultural/Biological assets														
Game stock	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
Intangible assets														
Computers - software & programming	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
Investment properties														
Investment property	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
Total														
Land and buildings	434,009,868	-	-	-	-	-	434,009,868	(2,766,430)	-	-	(757,396)	-	(3,523,826)	430,486,042
Infrastructure	1,355,788,472	53,154,538	-	(11,626,641)	-	-	1,397,316,369	(324,368,863)	-	-	(53,011,653)	(6,279,641)	(383,660,157)	1,013,656,212
Community Assets	374,123,531	2,478,919	-	7,711,669	-	-	384,314,119	(40,402,629)	-	-	(7,866,455)	-	(48,269,084)	336,045,035
Other assets	43,578,012	832,946	-	-	-	737,195	45,148,153	(27,318,072)	-	-	(3,004,838)	(1,192,489)	(31,515,399)	13,632,754
Agricultural/Biological assets	2,795,450	-	-	-	1,003,375	-	3,798,825	-	-	-	-	-	-	3,798,825
Intangible assets	1,993,433	86,300	-	-	-	-	2,079,733	(1,949,497)	-	-	(26,616)	-	(1,976,113)	103,620
Investment properties	76,471,194	-	-	-	-	-	76,471,194	-	-	-	-	-	-	76,471,194
	2,288,759,960	56,552,703	-	(3,914,972)	1,003,375	737,195	2,343,138,261	(396,805,491)	-	-	(64,666,958)	(7,472,130)	(468,944,579)	1,874,193,682