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AbaQulusi Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Mayoral Committee	
Mayor	SME Mtshali
Deputy Mayor	MJ Sibiya
Speaker	MB Khumalo
Executive Committee Member	MC Maphisa
Executive Committee Member	TZ Nkosi
Executive Committee Member	PN Mazibuko
Executive Committee Member	PP Selepe
Executive Committee Member	IA De Kock
Councillor	MM Ntuli SN Ndlela B Ntombela AM Masondo DP Mazibuko LR Mhlongo NS Mgidi TA Khumalo LC Zwane L Dube CN Mbatha VC Mtshali MB Mabaso PM Mtshali DJ Mahlase MT Lushaba NY Mdlalose NN Mdlalose M Viktor MM Mhlungu TD Ndlovu XJ Zungu MM Kunene AP Mbatha NB Manana NA Kunene MA Mazibuko ZH Nxumalo KM Nthuli JJ Jones SS Siyaya MP Williams R Ally BL Zwane TZ Mavundla CJQ Radebe
Grading of Local authority	Grade 04 Medium Capacity
Chief Financial Officer	HA Mahomed
Bankers	ABSA Bank of South Africa Limited Nedbank of South Africa Limited
Auditors	Auditor General of South Africa

General Information

Attorneys	COX and Partners BM Thusini Attorneys Garlicke & Bousfield
Accounting Officer	B.E. Ntanzi Appointed 21 August 2017

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Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the municipalities's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependent on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the AbaQulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, reda with the Remuneration of Public Offive Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017:

B.E Ntanzi
Accounting Officer

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	8	8,521,937	10,493,196
Receivables from non-exchange transactions	9	43,109,053	48,404,394
VAT receivable	10	4,392,883	9,683,836
Receivables from exchange transactions	11	38,650,889	27,710,206
Cash and cash equivalents	12	11,708,975	13,621,709
		106,383,737	**109,913,341**
Non-Current Assets			
Investment property	3	13,543,473	26,946,181
Property, plant and equipment	4	1,608,345,398	1,645,246,877
Intangible assets	5	1,222,105	471,056
Heritage assets	6	3,854,571	3,854,571
Receivables from exchange transactions	11	5,502,319	5,502,319
		1,632,467,866	**1,682,021,004**
Total Assets		**1,738,851,603**	**1,791,934,345**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	111,601,430	69,646,067
Consumer deposits	16	13,759,859	13,592,347
Unspent conditional grants and receipts	13	14,244,686	8,035,882
		139,605,975	**91,274,296**
Non-Current Liabilities			
Employee benefit obligation	7	74,430,000	69,279,000
Provisions	14	23,058,965	61,334,413
		97,488,965	**130,613,413**
Total Liabilities		**237,094,940**	**221,887,709**
Net Assets		**1,501,756,663**	**1,570,046,636**
Accumulated surplus		1,501,756,663	1,570,046,636

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	18	215,044,398	238,008,500
Rental of facilities and equipment	17	979,858	1,222,139
Interest received (trading)	17	-	15,277
Licences and permits	17	4,292,173	4,236,392
Other income	20	26,629	587,038
Landfill Site - decrease in provision	14	40,348,350	-
Interest received - investment	21	1,885,510	1,759,548
Total revenue from exchange transactions		**262,576,918**	**245,828,894**
Revenue from non-exchange transactions			
Fair value gain	3	-	1,410,931
Property rates	22	61,916,699	58,089,079
Property rates - penalties imposed	22	3,233,236	2,318,099
Reassessment of useful life	23	481,143	-
Transfer revenue			
Government grants & subsidies	24	157,641,843	175,227,632
Fines, Penalties and Forfeits	19	10,417,223	6,640,087
Total revenue from non-exchange transactions		**233,690,144**	**243,685,828**
Total revenue	17	**496,267,062**	**489,514,722**
Expenditure			
Employee related costs	25	(137,912,531)	(131,178,743)
Remuneration of councillors	26	(16,144,597)	(15,770,046)
Finance Costs - general	28	(16,078)	(340,939)
Depreciation, amortisation and impairment	27	(64,491,356)	(77,852,847)
Finance Cost - Landfill Site	29	-	(5,702,292)
Hire of Vehicle and Equipment	33	(16,511,741)	(9,467,944)
Contribution to Provision for Doubtful Debts	34	(17,700,246)	(16,576,194)
Fair value loss	3	(13,402,708)	-
Repairs and maintenance	30	(9,622,044)	(19,188,843)
Bulk purchases	31	(151,655,973)	(144,182,049)
Contracted services	32	(41,613,916)	(39,872,374)
Grant Expenditure	35	(15,832,665)	(23,392,499)
Post-employment benefits	7	(5,151,000)	(7,004,000)
General Expenses	36	(71,423,869)	(59,377,248)
Total expenditure		**(561,478,724)**	**(549,906,018)**
Operating deficit		**(65,211,662)**	**(60,391,296)**
Loss on disposal of assets and liabilities	37	(3,081,730)	(14,253,412)
Deficit for the year		**(68,293,392)**	**(74,644,708)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**1,467,966,965**	**1,467,966,965**
Changes in net assets		
Surplus for the year	(74,644,708)	(74,644,708)
Total changes	(74,644,708)	(74,644,708)
Opening balance as previously reported	1,393,322,257	1,393,322,257
Adjustments		
Prior year adjustments	176,727,798	176,727,798
Balance at 01 July 2016 as restated*	**1,570,050,055**	**1,570,050,055**
Changes in net assets		
Surplus for the year	(68,293,392)	(68,293,392)
Total changes	(68,293,392)	(68,293,392)
Balance at 30 June 2017	**1,501,756,663**	**1,501,756,663**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Receipts from customers		292,540,609	303,152,818
Grants and subsidies		157,641,843	175,227,632
Interest income		1,885,510	1,759,548
VAT Received		18,880,224	-
		470,948,186	480,139,998
Payments			
Employee costs		(139,728,348)	(146,948,789)
Suppliers		(306,660,208)	(295,428,716)
Finance costs - landfill provision		(16,078)	(340,940)
		(446,404,634)	(442,718,445)
Net cash flows from operating activities	38	**24,543,552**	**37,421,553**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(26,456,286)	(56,190,923)
Cash flows from financing activities			
Repayment of other financial liabilities: Eskom debt		-	(1,381,339)
Repayment of finance lease		-	(2,863,654)
Net cash flows from financing activities		-	**(4,244,993)**
Net increase/(decrease) in cash and cash equivalents		**(1,912,734)**	**(23,014,363)**
Cash and cash equivalents at the beginning of the year		13,621,709	36,636,073
Cash and cash equivalents at the end of the year	12	**11,708,975**	**13,621,709**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	264,002,332	(31,722,332)	**232,280,000**	215,044,398	**(17,235,602)**	
Rental of facilities and equipment	1,235,558	261,382	**1,496,940**	979,858	**(517,082)**	
Interest received (trading)	2,147,990	1,065,010	**3,213,000**	-	**(3,213,000)**	
Licences and permits	4,493,190	(243,190)	**4,250,000**	4,292,173	**42,173**	
Other income - (rollup)	2,487,539	(878,489)	**1,609,050**	26,629	**(1,582,421)**	
Other income 3	-	-	-	40,348,350	**40,348,350**	
Interest received - investment	1,956,110	(706,110)	**1,250,000**	1,885,510	**635,510**	
Total revenue from exchange transactions	**276,322,719**	**(32,223,729)**	**244,098,990**	**262,576,918**	**18,477,928**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64,183,860	(683,860)	**63,500,000**	61,916,699	**(1,583,301)**	
Property rates - penalties imposed	-	-	-	3,233,236	**3,233,236**	
Indirect taxes (VAT, customs duty)	-	-	-	481,143	**481,143**	
Transfer revenue						
Government grants & subsidies	170,766,000	(9,818,000)	**160,948,000**	157,641,843	**(3,306,157)**	
Fines, Penalties and Forfeits	1,599,000	(499,000)	**1,100,000**	10,417,223	**9,317,223**	
Total revenue from non-exchange transactions	**236,548,860**	**(11,000,860)**	**225,548,000**	**233,690,144**	**8,142,144**	
Total revenue	**512,871,579**	**(43,224,589)**	**469,646,990**	**496,267,062**	**26,620,072**	
Expenditure						
Personnel	(147,515,945)	10,367,920	**(137,148,025)**	(137,912,531)	**(764,506)**	
Remuneration of councillors	(16,619,903)	-	**(16,619,903)**	(16,144,597)	**475,306**	
Finance costs	(959,400)	339,400	**(620,000)**	(16,078)	**603,922**	
Depreciation and amortisation	(110,958,214)	28,027,264	**(82,930,950)**	(64,491,356)	**18,439,594**	
Lease rentals on operating lease	(18,495,100)	(2,884,900)	**(21,380,000)**	(16,511,741)	**4,868,259**	
Debt Impairment	(7,461,467)	961,467	**(6,500,000)**	(17,700,246)	**(11,200,246)**	
Contributions to landfill provision	(4,750,235)	750,235	**(4,000,000)**	-	**4,000,000**	
Fair value loss	-	-	-	(13,402,708)	**(13,402,708)**	
Repairs and maintenance	(28,648,069)	7,478,469	**(21,169,600)**	(9,622,044)	**11,547,556**	
Bulk purchases	(159,012,671)	11,212,671	**(147,800,000)**	(151,655,973)	**(3,855,973)**	
Contracted Services	(43,935,114)	2,487,114	**(41,448,000)**	(41,613,916)	**(165,916)**	
Grant Expenditure	(3,124,270)	(4,993,730)	**(8,118,000)**	(15,832,665)	**(7,714,665)**	
Post-employment benefits	(5,758,138)	2,758,138	**(3,000,000)**	(5,151,000)	**(2,151,000)**	
General Expenses	(82,822,531)	12,292,222	**(70,530,309)**	(71,423,869)	**(893,560)**	
Total expenditure	**(630,061,057)**	**68,796,270**	**(561,264,787)**	**(561,478,724)**	**(213,937)**	
Operating deficit	**(117,189,478)**	**25,571,681**	**(91,617,797)**	**(65,211,662)**	**26,406,135**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(3,081,730)	**(3,081,730)**	
Deficit before taxation	**(117,189,478)**	**25,571,681**	**(91,617,797)**	**(68,293,392)**	**23,324,405**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(117,189,478)**	**25,571,681**	**(91,617,797)**	**(68,293,392)**	**23,324,405**	

CAPEX	**Approved Budget**	**Adjustment**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**
Total Capital Expenditure	(15,539,080)	8,676,080	6,863,000	(42,968,616)	-

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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Revenue Recognition

Accounting policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-ExchangeTransactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the mangement considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

Impairment of Financial Assets

Accounting policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the mangement of the municipality considered the detailed criteria of imapirment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property Plant and Equipment

As described in Accounting Policies 1.4 and 1.5, the municipality depreciates/amortises its property plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry norms.

Impairment

Write down of property plant and equipment, intangible assets and inventories.
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.

Defined Benefit Plan Liabilities

As described in accounting policy 1.13 Employee Benefits, the municipality obtains acturial valuations of its defined benefit plan laibilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by thea actuaries in estimating the liabilities are provided in Note 7 to the financial statements.

Going Concern Assumption

The financial statements have been prepared on a going concern basis.

Offsetting

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

Provisions

Provisions have been raised by the municpality. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.3 Investment property

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

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

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

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 entity, 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.

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

Fair value

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

This entails determining the fair vale of investment properties on a regular basis. To the extent that the fair value is applied investment property is not depreciated. Fair value gains/losses that result from the revaluation are recognised in the Statement of Financial Performance.

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable anount, it is wriiten down immediately to its revoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.4 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; 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.

1.4 Property, plant and equipment (continued)

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or 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.

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

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

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

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

Subsequent Measurement

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

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated,using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets.The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential areexpected to be consumed by the municipality.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.Depreciation only commences when the asset is available for use, unless stated otherwise.

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

	Useful Life
Infrastructure	
• Roads and stormwater	05 - 80 years
• Electricity	03 - 50 years
• Sanitation	15 - 100 years
• Water	05 - 80 years
• Housing	03 - 50 years
• Landfill sites	15 - 50 years
Community	
• Sport and recreational facilities	05 - 50 years
• Cemeteries	05 - 50 years
• Halls	05 - 50 years
• Libraries	05 - 50 years
• Parks	05 - 50 years
• Fire/Ambulance Station	05 - 50 years
• Clinics	05 - 50 years
• Sports fields	15 - 30 years
• Stadium	05 - 50 years

1.4 Property, plant and equipment (continued)

Other

• Transport Assets	05 - 15 years
• Machinery and Equipment	02 - 15 years
• Computer Equipment	03 - 07 years
• Office Equipment	03 - 10 years

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

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

Assets which the entity 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.

Capital Work in Progress

Capital work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE.controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised. Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

Impairment testing

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.
The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it's the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.5 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 entity 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.

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

An intangible asset shall be de-recognised 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 derecognistion of an intangible asset shall be determined as the difference between the net disposal proceeds, if any and the carrying amount of the asset. It shall be recongised in surplus or deficit when the asset is derecognised.

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Accounting Policies

1.5 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	05 - 10 years
Computer software, other	Straight line	05 - 10 years

Intangible assets are derecognised:
on disposal; or
when no future economic benefits or service potential are expected from its use or disposal..

1.6 Heritage assets

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

Recognition

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

A Heritage asset that qualifies for recogition as an asset shall be initially measured at its cost.

Where a heritage asset is acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses. In instances where cost is not determinable, the municipality has taken advantage of the transitional provisions.

Heritage assets are not depreciated but the municipality will assess at each reporting date based on external and internal sources of information whether there is an indication that it may be impaired. Transfers from heritage assets shall be made when and only when the particular asset no longer meets the definition of a heritage asset. Likewise transfer to heritage assets shall be made when and only when the asset meets the definiton of a heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired.

Initial measurement

Heritage assets are measured at cost.

Derecognition

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

1.7 Financial instruments

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

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- 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.

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

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 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.

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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

Financial liabilities

The 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.

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

1.8 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.

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.

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.

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.

1.9 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.

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.

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

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.

1.10 Impairment of cash-generating assets

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

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.10 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.

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

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

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

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

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

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

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

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

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.

1.11 Impairment of non-cash-generating assets

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

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

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

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

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.

Accounting Policies

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

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.

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.

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:

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 surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity 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.

Accounting Policies

1.11 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 surplus or deficit.

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

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.

1.12 Share capital / contributed capital

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

1.13 Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note XXX to the annual financial statements..

1.14 Conditional Grants and Receipts

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

1.15 Employee benefits

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits which the municipality has been following in the prior year. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected..

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

1.15 Employee benefits (continued)

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.

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

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

Post-employment benefits

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

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

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

1.16 Provisions and contingencies

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

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

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

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

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 entity 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.

1.16 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

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

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

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 entity; 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.

Interest, Service Fees

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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 the 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.

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.

1.18 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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

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

Value Added Tax (VAT):

The municipality accounts for VAT on the payment basis.

Fines

As per IGRAP1 assessing and recognising impairment is an event that takes place subsequent to initial recognition of revenue charged. A provision is raised accordingly when the entity assess the probability of revenue collection. The provision for traffic fines has been calculated based on the historical collection rate.

Gifts and donations, including goods in-kind

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of Grap does not require the restatements of comparative information. The nature and reason for the reclassification is diclosed. Where material accounting errors have been identified in the curent year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 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.

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

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

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

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

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

1.24 Budget information

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

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

The approved budget covers the fiscal period from 30/06/2016 to 30/06/2017.

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.

Accounting Policies

1.24 Budget information (continued)

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

1.25 Related parties

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

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

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

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

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

1.26 Events after reporting date

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

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

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

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

1.27 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.28 Changes in accounting policies, estimates and errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening. The provisions of IGRAP 1 have been applied prospectively in line with IGRAP1.

Figures in Rand	2017	2016

Notes to the Annual Financial Statements

2. New standards and interpretations

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 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2099	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

Figures in Rand	2017	2016

3. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	13,543,473	-	13,543,473	26,946,181	-	26,946,181

Reconciliation of investment property - 2017

	Opening balance	**Fair value adjustments**	**Total**
Investment property	26,946,181	(13,402,708)	13,543,473

Reconciliation of investment property - 2016

	Opening balance	**Fair value adjustments**	**Total**
Investment property	25,535,250	1,410,931	26,946,181

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.

The effective date of the revaluation was 30 June 2017. Revaluations were performed by an independent valuer who are independent to the municipality and have experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	143,720,100	-	143,720,100	146,400,100	-	146,400,100
Buildings	112,576,694	(32,648,362)	79,928,332	112,576,694	(29,001,218)	83,575,476
Other Property Solid Waste - Landfill site	49,286,660	(46,734,506)	2,552,154	47,213,757	(39,344,798)	7,868,959
Motor Vehicles	-	-	-	23,423,221	(23,423,220)	1
Office equipment	-	-	-	845,855	(777,449)	68,406
Infrastructure	2,769,197,645	(1,521,371,804)	1,247,825,841	2,748,378,607	(1,476,775,064)	1,271,603,543
Community	247,793,404	(120,835,102)	126,958,302	243,517,477	(115,971,481)	127,545,996
Other property, plant and equipment	17,909,641	(10,548,972)	7,360,669	16,990,695	(8,806,299)	8,184,396
Total	**3,340,484,144**	**(1,732,138,746)**	**1,608,345,398**	**3,339,346,406**	**(1,694,099,529)**	**1,645,246,877**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	WIP Additions	Disposals	Re-assessment of useful life	Depreciation	Impairment loss	Total
Land	146,400,100	-	-	(2,680,000)	-	-	-	143,720,100
Buildings	83,575,476	-	-	-	-	(3,647,144)	-	79,928,332
Ofice equipment	68,406	-	-	-	-	(68,406)	-	-
Infrastructure	1,271,603,543	113,600	22,320,937	(381,149)	-	(43,312,867)	(2,518,223)	1,247,825,841
Community	127,545,996	-	4,494,530	(20,579)	-	(5,061,645)	-	126,958,302
Other property, plant and equipment	8,184,396	965,163	32,148	-	-	(1,821,038)	-	7,360,669
Other property Solid Waste - Landfill site	7,868,959	2,072,902	-	-	481,143	(7,870,850)	-	2,552,154
	1,645,246,876	**3,151,665**	**26,847,615**	**(3,081,728)**	**481,143**	**(61,781,950)**	**(2,518,223)**	**1,608,345,398**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	WIP Additions	Depreciation	Total
Land	146,400,100	-	-	-	146,400,100
Buildings	15,551,744	69,498,190	-	(1,474,458)	83,575,476
Office Equipment	219,500	-	-	(151,094)	68,406
Infrastructure	1,222,128,637	61,252,202	50,411,310	(62,188,606)	1,271,603,543
Community	114,372,980	12,372,760	6,006,639	(5,206,383)	127,545,996
Other property, plant and equipment	8,368,621	668,485	-	(852,710)	8,184,396
Other Property Solid Waste (Landfill Site)	15,737,919	-	-	(7,868,960)	7,868,959
Motor Vehicles Leased	1	-	-	-	1
	1,522,779,502	**143,791,637**	**56,417,949**	**(77,742,211)**	**1,645,246,877**

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 entity.

5. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2,443,659	(1,221,554)	1,222,105	1,501,427	(1,030,371)	471,056

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	471,056	942,232	(191,183)	1,222,105

5. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	581,416	(110,360)	471,056

6. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Buildings	2,858,229	-	2,858,229	2,858,229	-	2,858,229
Works of Art	83,810	-	83,810	83,810	-	83,810
Antiques	528,518	-	528,518	528,518	-	528,518
Stamps	1,350	-	1,350	1,350	-	1,350
Rare Books	14,364	-	14,364	14,364	-	14,364
Monuments and Memorials	368,300	-	368,300	368,300	-	368,300
Total	**3,854,571**	**-**	**3,854,571**	**3,854,571**	**-**	**3,854,571**

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical Buildings	2,858,229	2,858,229
Works of Art	83,810	83,810
Antiques	528,518	528,518
Stamps	1,350	1,350
Historical monuments	14,364	14,364
Monuments and Menorials	368,300	368,300
	3,854,571	**3,854,571**

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical Buildings	2,858,229	2,858,229
Works of Art	83,810	83,810
Antiques	528,518	528,518
Stamps	1,350	1,350
Rare Books	14,364	14,364
Monuments and Memorials	368,300	368,300
	3,854,571	**3,854,571**

The municipality hsa complied with GRAP 103. A full verification of heritage assets as well as to assign values to all heritage assets for those resepctive financial years. No change in value as at 30 June 2017. As per Directive 07 a list of all Heritage Assets has been included in the Fixed Asset Register of the municipality. This list is available for viewing at the main offices of the municipality.

Figures in Rand	2017	2016

7. Employee benefit obligations

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

Carrying value		
Post employment medical benefits	(66,481,000)	(62,142,000)
Long service award	(7,949,000)	(7,137,000)
	(74,430,000)	**(69,279,000)**

Net expense recognised in the statement of financial performance

Current service cost	3,822,000	3,337,000
Interest cost	6,648,000	5,808,000
Actuarial (gains) losses	(3,226,000)	(209,000)
Curtailment	(2,093,000)	(1,932,000)
	5,151,000	**7,004,000**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Post Employment Medical Benefits

Assumptions used at the reporting date:

Healthcare cost inflation	9.10 %	8.90 %
Discount rates used	10.00 %	9.60 %
Net discount	1.01 %	0.46 %

7. Employee benefit obligations (continued)

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2017 by PricewaterhouseCoopers Actuarial Risk & Quants ("PwC ARQ").

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Rationale for the economic assumptions

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 17 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 6.90% as at 30 June 2017. Thus, the healthcare cost inflation has been set as 8.90% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Maximum subsidy increase

The subsidy arrangement is subject to a maximum employer contributions of R 3 871. We assumed that this maximum subsidy is expected to increase in line with healthcare cost inflation.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 1.01% (calculated as (1+ discount rate)/(1+healthcare cost inflation rate)-1) for the 30 June 2017 valuation.

Summary of membership data used in the valuation - Current Employees	**30 June 2017 - Males**	**30 June 2017 - Females**	**30 June 2016 - Males**	**30 June 2016 - Females**
Number of current employees	157	86	154	86
Average age of employees	45	44	44	43

Figures in Rand			2017	2016

7. Employee benefit obligations (continued)

Average years of past service	11	11	11	10
Average total monthly premium of Principal Members (R)*	2,223	2,374	2,039	2,101
Average total monthly premium of Adult dependants (R)*	1,678	1,826	1,539	1,620
	-	-	-	-

Summary of membership data used in the valuation	**30 June 2017 - Males**	**30 June 2017 - Females**	**30 June 2016 - Males**	**30 June 2016 - Females**
Number of continuation members	18	32	17	31
Average age of conituation members	72	76	72	76
Actual percentage married (%)	89	6	94	3
Average total monthly premium of Principal members (R)*	4,389	4,367	3,498	3,643
Average total monthly premium of adult dependants (R)*	3,020	2,997	2,405	2,487
	-	-	-	-

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Long Service Awards

Assumptions used at the reporting date:

	- %	- %
Gross discount rate	8.50 %	8.70 %
Salary inflation	7.30 %	8.50 %
Net discount rate	1.12 %	0.18 %

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2017 by PricewaterhouseCoopers Actuarial Risk & Quants ("PwC ARQ").

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Rationale for the economic assumptions

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption.

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

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 6 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.

Salary inflation

In the past, salary inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of around 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the salary inflation assumption.

The CPI inflation assumption using this methodology is 5.30% as at 30 June 2017. Thus, the salary inflation has been set as 7.30% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and salary inflation rates are more important than their individual values.The net discount rate is also a highly significant assumption in the respective valuations.

The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 1.12% (calculated as (1 + discount rate)/(1 + salary inflation rate) – 1) for the 30 June 2017 valuation.

Summary of membership data used in the valuation - Current Employees	**30 June 2016 - Males**	**30 June 2016 - Females**	**30 June 2016 - Males**	**30 June 2016 - Females**
Number of current employees	291	125	313	127

Notes to the Annual Financial Statements

Figures in Rand			2017	2016

7. Employee benefit obligations (continued)

Average age of employees	47	44	46	44
Average years of past service	13	12	12	12
Average annual salary	165,568	179,458	142,702	156,931
	-	-	-	-

8. Inventories

	2017	2016
Electricity	4,932,038	5,943,664
Water	1,441,054	1,232,972
Rates and general	2,148,845	3,316,560
	8,521,937	**10,493,196**

9. Receivables from non-exchange transactions

	2017	2016
Traffic Fines Debtor	21,092,043	12,863,599
Sundry Debtors	119,414	516,105
Other Receivables	197,453	-
Consumer debtors - Rates	39,502,138	44,798,223
Traffic Fines Provision	(17,801,995)	(9,773,533)
	43,109,053	**48,404,394**

10. VAT receivable

	2017	2016
VAT	4,392,883	9,683,836

11. Receivables from exchange transactions

	2017	2016
Gross balances		
Electricity	25,637,350	18,601,717
Water	21,184,220	19,226,619
Accrued Income - Investments	-	905,630
Sewerage	22,000,331	16,312,088
Refuse	16,644,769	10,982,337
Agreement Installment	266,822	266,822
Sundry Debtors - Consumer Debtors	10,266,544	-
Sundry Debtors Exchange Transactions	4,033,799	4,323,689
VAT	-	8,802,465
	100,033,835	**79,421,367**

	2017	2016
Less: Allowance for impairment		
Electricity	(13,437,010)	(8,514,296)
Water	(17,360,887)	(14,194,574)
Sewerage	(17,567,059)	(12,573,626)
Refuse	(12,751,168)	(9,713,939)
Agreement Installment	(266,822)	(266,822)
VAT	-	(6,447,904)
	(61,382,946)	**(51,711,161)**

Figures in Rand	2017	2016

11. Receivables from exchange transactions (continued)

Net balance		
Electricity	12,200,340	10,087,421
Water	3,823,333	5,032,045
Accrued Income - Investments	-	905,630
Sewerage	4,433,272	3,738,462
Refuse	3,893,601	1,268,398
Sundry Debtors - Consumer Debtors	10,266,544	-
Sundry Debtors Exchange Transactions	4,033,799	4,323,689
VAT	-	2,354,561
	38,650,889	**27,710,206**

Electricity		
Current (0 -30 days)	5,471,094	7,085,609
31 - 60 days	1,175,541	952,436
61 - 90 days	204,409	280,140
91 - 120 days	135,035	252,478
121 - 365 days	196,769	1,516,758
	7,182,848	**10,087,421**

Water		
Current (0 -30 days)	1,622,700	1,559,820
31 - 60 days	1,139,124	1,311,125
61 - 90 days	85,212	592,168
91 - 120 days	94,399	472,144
121 - 365 days	881,898	1,096,789
	3,823,333	**5,032,046**

Sewerage		
Current (0 -30 days)	1,434,017	1,325,718
31 - 60 days	775,324	743,782
61 - 90 days	302,013	309,191
91 - 120 days	269,455	262,983
121 - 365 days	1,652,464	1,096,789
	4,433,273	**3,738,463**

Refuse		
Current (0 -30 days)	591,650	563,338
31 - 60 days	450,493	443,659
61 - 90 days	177,725	160,940
91 - 120 days	187,526	100,459
121 - 365 days	2,486,208	-
	3,893,602	**1,268,396**

Sundry Debtors		
Current (0 -30 days)	291,166	52,453
31 - 60 days	274,696	62,516
61 - 90 days	267,323	59,611
91 - 120 days	291,482	62,660
120+ days	13,175,676	4,086,449
	-	-
	14,300,343	**4,323,689**

Figures in Rand	2017	2016

11. Receivables from exchange transactions (continued)

VAT		
Current (0 -30 days)	-	1,452,281
31 - 60 days	-	525,068
61 - 90 days	-	202,470
91 - 120 days	-	174,473
	-	-
	-	**2,354,292**

VAT is included within the service balances for the current year.

In the determination of the amounts deemed to be impaired at financial year end, the municipal impairment policy was applied as follows:

The value of the provision is determined as follows:

0% of consumer debt greater than 0 days but less than or equal to 90 days

50% of consumer debt greater than 91 days but less than or equal to 120 days

50% of consumer debt greater than 121 days but less than or equal to 150 days

100% of consumer debt greater than 151 days

The calculation for impairment excludes property rates, rates penalties, rates collection charges, legal fees, and all Government debt

Long term receivables		
Land sales > 365 days	5,502,319	5,502,319

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2017	2016

12. Receivables from exchange transactions (continued)

Cash on hand	5,320	5,320
Bank balances	4,621,578	3,864,108
Short-term deposits	7,082,077	9,752,281
	11,708,975	**13,621,709**

	Bank Statement Balance		Cash Book Balance	
Account number/description	2017	2016	2017	2016
ABSA Bank - Cheque Account - 100 500 1109	528,845	1,045,857	528,845	1,045,857
Nedbank - Current Account - 106 737 9770	4,079,906	4,104,557	4,092,733	2,818,251
Subtotal	4,608,751	5,150,414	4,621,578	3,864,108
Total	**4,608,751**	**5,150,414**	**4,621,578**	**3,864,108**

Short term deposits		
Absa 9195460586	5,168	1,000
Standard Bank 068461763-003	1,091,551	1,070,372
Standard Bank 068461763-005	107,490	53,169
Nedbank 037165020780	5,802,169	5,404,048
ABSA 9229810136	4,539	-
Absa 9122861337	71,160	70,064
Absa 9229810136	-	2,354,839
Absa 9229810534	-	798,790
	7,082,077	**9,752,282**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
INEP	10,714,707	910,682
Gijima	38,830	38,830
Land use management	229,850	229,850
Provincial housing	60,000	60,000
Municipal infrastructure	-	76,620
Upgrade Billing Emondlo	3,166	3,166
Housing	225,383	225,383
Water massification	2,569	2,569
COGTA Ward 5 Electrification	-	2,214,580
COGTA Thusong Operational	507,281	750,000
EPWP	-	82,587
Cecil Emmet Sports Facilities	-	2,100,000
Schemes support	-	90,000
Library	2,462,900	1,251,615
	14,244,686	**8,035,882**

Figures in Rand	2017	2016

14. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Reduction due to re-measurement	Total
Environmental rehabilitation	61,334,413	2,072,902	(40,348,350)	23,058,965

Reconciliation of provisions - 2016

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	55,632,121	5,702,292	61,334,413

The determination of the cost required for the rehabilitation of the Vryheid, Enyathi, Coronation and Louwsburg landfill sites was done as at 30 June 2017.
The Cost estimate is based on 25% preliminary and general (P&G) and a 10% contingency of the construction amount for unforseen items.

Vryheid	20,734,563	56,324,075
Emondlo	-	3,405,904
Louwsburg	251,500	1,604,434
Enyathi	1,261,535	-
Coronation	811,367	-
	23,058,965	**61,334,413**

15. Payables from exchange transactions

Trade payables	83,854,835	47,752,192
Accruals	4,439,082	-
Hall deposits and refundable deposits	77,664	69,784
Retentions	9,166,714	8,472,982
Accrued leave pay	14,328,780	12,099,384
Unallocated Deposits	(265,645)	1,251,725
	111,601,430	**69,646,067**

16. Consumer deposits

Electricity	12,550,072	12,422,622
Water	1,209,787	1,169,725
	13,759,859	**13,592,347**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. Revenue

Service charges	215,044,398	238,008,500
Rental of facilities and equipment	979,858	1,222,139
Interest received (trading)	-	15,277
Licences and permits	4,292,173	4,236,392
Other income	26,629	587,038
Landfill - decrease in provision	40,348,350	-
Interest received - investment	1,885,510	1,759,548
Fair value gain	-	1,410,931
Property rates	61,916,699	58,089,079
Property rates - penalties imposed	3,233,236	2,318,099
Indirect taxes (VAT, customs duty)	481,143	-
Government grants & subsidies	157,641,843	175,227,632
Fines, Penalties and Forfeits	10,417,223	6,640,087
	496,267,062	**489,514,722**

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

Service charges	215,044,398	238,008,500
Rental of facilities and equipment	979,858	1,222,139
Interest received (trading)	-	15,277
Licences and permits	4,292,173	4,236,392
Other income	26,629	587,038
Landfill - decrease in provision	40,348,350	-
Interest received - investment	1,885,510	1,759,548
	262,576,918	**245,828,894**

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

Fair value gain	-	1,410,931
Property rates	61,916,699	58,089,079
Property rates - penalties imposed	3,233,236	2,318,099
Indirect taxes (VAT, customs duty)	481,143	-
Transfer revenue		
Government grants & subsidies	157,641,843	175,227,632
Fines, Penalties and Forfeits	10,417,223	6,640,087
	233,690,144	**243,685,828**

18. Service charges

Sale of electricity	156,779,922	162,861,520
Sale of water	14,157,522	34,864,360
Sewerage and sanitation charges	23,224,610	22,891,197
Refuse removal	18,863,457	17,391,423
Other service charges	2,018,887	-
	215,044,398	**238,008,500**

19. Fines, Penalties and Forfeits

Traffic fines	9,561,080	6,571,680
Library fines	11,732	9,007
Forfeits - retentions	844,411	-
Sundry	-	59,400
	10,417,223	**6,640,087**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Other Income

Burial fees	-	164,634
Encroachment fees	-	36,389
Swimming pool gate fees	-	5,843
Klipfontein gate fees	-	55,040
Advert / sign fees	-	12,841
IEC election income	29,629	14,440
Lost book charges	-	3,819
Membership fees	-	4,806
Monument erection	-	26,119
Photostat copies	-	18,946
Plan fees	-	21,033
Print fees	-	3,187
Rates clearances	-	59,003
Rezoning	-	20,067
Special consent	-	30,909
Sundry income	-	56,212
Tender deposits	-	40,202
Building permits	-	4,162
Business licence	-	5,000
Donation income	-	4,386
	29,629	**587,038**

21. Investment revenue

Interest revenue		
Short Term Investment - Interest	1,885,510	1,759,548

Figures in Rand	2017	2016

22. Property rates

Rates received

	2017	2016
Property Rates	61,916,699	58,089,079
	61,916,699	58,089,079
Property rates - penalties imposed	3,233,236	2,318,099
	65,149,935	**60,407,178**

Valuations

	2017	2016
Residential (R0.0075422)	3,268,775,005	3,494,515,005
Commercial (R0.0188556)	1,083,985,031	1,118,056,031
State Owned (R0.0188556)	858,519,124	750,419,124
Place of Worship (R0.00)	103,885,000	103,885,000
Vacant Land (R0.0188556)	147,335,000	148,015,000
Public Service Infrastructure (R0.00)	14,790,100	14,640,100
SPL (R0.0018857)	82,647,001	82,647,001
Agriculture (R0.0018857)	2,315,069,201	2,407,708,201
Industrial (R0.0188556)	14,860,000	14,860,000
Municipal (R0.00)	33,225,600	31,936,600
Residential Sectional Title (R0.0075422)	221,700,000	-
Commercial Sectional Title (R0.0188556)	13,600,000	-
	8,158,391,062	**8,166,682,062**

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

Rate are levied on a monthly basis with a final date for payment being the 09th of every month. Interest plus prime at 1% per annum is levied on outstanding rates

Rates on indigent, pensioners and person with disability grants and child headed households: R 459.89 per annum

Rates will be due and payable in 12 equal or near installments on the 09 of each month, when the 09th is a public holiday or weekend the first day thereafter. The dates on which the determination of rates came into operation is 01 July 2015. Any rates not paid on the due dates will be subject to interest at the rate prime plus 1%. This notice is available on the municipalities website.

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23. Reassessment of useful life

PPE

	2017	2016
Landfill asset	481,143	-

The landfill provsion and asset was initially recognised in 1990 with a useful life of 27 years. Upon valuing the landfill provision as at 30 June 2017, being the end of the original useful life of the asset, it was determined that the asset would be in use for a further 3 years. The useful life of the asset was reassesed accordingly, and accumulated depreciation was written back to the value of R 481 143.

Figures in Rand	2017	2016

24. Government grants and subsidies

Operating grants		
Equitable share	106,890,000	106,246,000
MSIG	-	930,000
EPWP Grant	1,480,587	1,334,413
Finance Management Grant (FMG)	1,625,000	1,764,976
ZDM	-	50,000
DoE INEP	10,195,975	18,089,318
Cecil Emett Sports Grant	2,100,000	108,000
Environmental Health Grant	-	50,030
COGTA Ward 5 electrification	2,214,580	2,785,420
Small Town	-	947,676
Scheme Support	90,000	247,000
Library	2,294,362	2,233,209
Cyber Cadet	179,000	339,647
Museum	175,000	166,000
COGTA Thusong Operational	242,719	-
	127,487,223	**135,291,689**
Capital grants		
MIG	30,154,620	39,935,943
	157,641,843	**175,227,632**

Equitable Share

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

This grant is unconditional that supplements the revenue that municiplaities can raise themselves.

Equitable Share

Current year receipts	106,890,000	106,246,000
Current year expenditure	(106,890,000)	(106,246,000)
	-	-

MSIG

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

DOE Grant

Balance unspent at beginning of year	910,682	-
Current-year receipts	20,000,000	19,000,000
Conditions met - transferred to revenue	(10,195,975)	(18,089,318)
	10,714,707	**910,682**

Gijima

Balance unspent at beginning of year	38,830	38,830

Land use management

Balance unspent at beginning of year	229,850	229,850

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Provincial Housing Grant

Balance unspent at beginning of year	60,000	60,000

MIG

Balance unspent at beginning of year	76,620	446,564
Current-year receipts	30,078,000	39,566,000
Conditions met - transferred to revenue	(30,154,620)	(39,935,944)
	-	**76,620**

FMG

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	-

Upgrade Billing Emondlo

Balance unspent at beginning of year	3,166	3,166

Housing Grant

Balance unspent at beginning of year	225,383	225,383

Emergency Repair Grant (COGTA)

Balance unspent at beginning of year	2,569	2,569

Library Grant

Balance unspent at beginning of year	1,251,262	695,471
Current-year receipts	3,506,000	2,789,000
Conditions met - transferred to revenue	(2,294,362)	(2,233,209)
	2,462,900	**1,251,262**

Museum Grant

Current-year receipts	175,000	166,000
Conditions met - transferred to revenue	(175,000)	(166,000)
	-	-

Cyber Cadet Library Grant

Balance unspent at beginning of year	353	-
Current-year receipts	179,000	340,000
Conditions met - transferred to revenue	(179,000)	(339,647)
	353	**353**

EPWP Grant

Balance unspent at beginning of year	82,587	-
Current-year receipts	1,398,000	1,417,000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1,480,587)	(1,334,413)
	-	**82,587**

Scheme Support Grant

Balance unspent at beginning of year	90,000	337,000
Conditions met - transferred to revenue	(90,000)	(247,000)
	-	**90,000**

Cecil Emmet Sports Field Maintenance

Balance unspent at beginning of year	-	108,100
Conditions met - transferred to revenue	-	(108,100)
	-	-

Cecil Emmet Sports Facilities

Balance unspent at beginning of year	2,100,000	2,100,000
Conditions met - transferred to revenue	(2,100,000)	-
	-	**2,100,000**

COGTA Ward 5 Electrification

Balance unspent at beginning of year	2,214,580	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	(2,214,580)	(2,785,420)
	-	**2,214,580**

Environment Health Grant

Balance unspent at beginning of year	-	50,000
Conditions met - transferred to revenue	-	(50,000)
	-	-

COGTA Thusong Centre Operational

Balance unspent at beginning of year	750,000	-
Current-year receipts	-	750,000
Conditions met - transferred to revenue	(242,719)	-
	507,281	**750,000**

Figures in Rand	2017	2016

25. Employee related costs

Basic	88,066,773	67,248,669
Bonus	4,892,607	5,445,989
Medical aid - company contributions	6,273,516	20,066,637
UIF	704,455	-
Leave pay provision charge	2,229,397	4,066,856
Travel, motor car, accommodation, subsistence and other allowances	-	7,603,693
Overtime payments	15,931,737	17,213,275
Long-service awards	-	22,601
Car allowance	1,630,594	-
Housing benefits and allowances	426,851	1,025,426
Other	3,234,864	2,597,756
Bargaining council	14,521,737	-
	137,912,531	**125,290,902**

Remuneration of municipal manager

For the 30 June 2017 annual financial year, the municipality functioned without a municipal manager.
Director Town Planning acted as Municipal Manager for the 2016/2017 financial period.

Remuneration of chief finance officer

Annual Remuneration	1,093,436	1,030,025
Cell Allowance	30,000	50,000
Subsistance	51,293	74,746
	1,174,729	**1,154,771**

Remuneration of director Technical

Annual Remuneration	820,077	1,057,332
Cell Allowance	22,500	62,500
Subsistance	53,644	43,344
	896,221	**1,163,176**

Contract expired 31 March 2017

Remuneration of director Corporate

Annual Remuneration	273,359	1,051,304
Cell Allowance	7,500	65,500
Acting Allowance	-	16,480
Subsistance	-	18,577
	280,859	**1,151,861**

Remuneration director Community

Annual Remuneration	728,958	1,077,461
Cell Allowance	22,050	68,500
Subsistance	-	20,686
Acting Allowance (Municipal Manager)	54,380	90,466
	805,388	**1,257,113**

Contract expired 28 February 2017

Remuneration director planning and development

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Employee related costs (continued)

Annual Remuneration	600,453	572,400
Housing Allowance	219,624	219,624
Cell Allowance	32,159	45,000
Travel Allowance	273,359	265,667
Subsistance	21,684	58,229
Acting Allowance (Municipal Manager)	33,613	-
	1,180,892	**1,160,920**

26. Remuneration of Councillors

Mayor	760,099	820,000
Deputy Mayor	535,344	670,000
Executive Committee Members	3,584,397	4,900,000
Speaker	652,256	670,000
Councillors	9,525,909	7,735,177
Councillors Travel Allowance	155,045	188,767
Councillors Cell Allowance	931,548	786,102
	16,144,598	**15,770,046**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time employees. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Municipality. The Executive Committee members are provided with an office only.

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

The Mayor, Deputy Mayor and the Speaker each has a full time bodyguard and a driver.

Mayor		
Salary	719,781	738,416
Housing Allowance	37,106	66,362
Cellphone Allowance	24,481	24,468
Medical Aid	-	15,222
	781,368	**844,468**

Deputy Mayor		
Salary	496,509	606,292
Housing Allowance	35,622	63,708
Cellphone Allowance	24,314	24,468
	556,445	**694,468**

Speaker		
Salary	613,421	606,292
Housing Allowance	35,622	63,708
Cellphone Allowance	24,481	24,468
	673,524	**694,468**

Other Councillors		
Salary	10,990,680	12,023,351
Housing Allowance	643,419	556,476
Cellphone Allowance	2,096,167	712,698
Travel	208,957	188,767
Medical Aid	92,904	55,350
	14,032,127	**13,536,642**

Figures in Rand	2017	2016

27. Depreciation, amortisation and impairment

Heading		
Depreciation	61,781,950	77,742,487
Amortisation	191,183	110,360
Impairment	2,518,223	-
	64,491,356	**77,852,847**

28. Finance costs - general

Heading		
Finance leases	-	103,327
External loan	-	237,612
Overdue accounts	16,078	-
	16,078	**340,939**

29. Finance costs - landfill provision

Landfill provision	-	5,702,292

30. Repairs and maintenance

Buildings, facilities and other assets	9,622,044	19,188,843

31. Bulk purchases

Electricity	151,655,973	144,182,049

32. Contracted Services

Meter Reading	1,941,183	2,686,254
Computer Services	1,340,419	2,236,105
Other Financial Services	4,357,161	6,547,639
Parks	6,321,496	5,995,834
Security	12,376,476	10,676,013
Refuse Removal	11,042,557	10,123,497
Steiner	4,490	112,446
Water Purification	394,313	327,407
Contour	534,060	486,982
Nurses working with traffic	-	4,650
Brandfin Trade CC	34,038	138,042
Total Client Services	74,813	69,284
Lobu Maintenance Facilities	-	3,447
Mobaarak	-	46,500
Thulumtwho Finance	-	40,000
Isikhumba Sengwe 2012	-	99,250
Lexis Nexis	-	8,960
Mamelang Technologies CC	-	37,900
Annual Report	51,000	-
Fire Protection	9,950	-
License Cards	110,633	-
Valuers and Assessors	336,011	-
Planning and Development	1,054,260	-
Ado Research Lab	318,807	232,164
Call Centre	1,312,249	-
	41,613,916	**39,872,374**

Figures in Rand	2017	2016

33. Hire of vehicle and equipment

Heading		
Equipment	5,981,264	5,078,199
Vehicles	10,530,477	4,389,745
	16,511,741	**9,467,944**

34. Contribution to Provision for Doubtful Debts

Contributions to debt impairment provision	17,700,246	16,576,194

35. Grant expenditure

Government Grants and Subsidies	15,385,273	23,297,499
SPCA	-	95,000
Grant in aid	447,392	-
	15,832,665	**23,392,499**

36. General expenses

Advertising	1,758,166	318,171
Allowance and contributions pensioners	1,712,153	1,640,061
Auditors remuneration	5,638,094	4,439,063
Bank charges	870,515	1,160,698
Cleaning	-	320,447
Commission on vendor sales	1,289,417	1,263,097
Legal expenses	5,569,967	1,351,591
Entertainment	110,107	-
Insurance	3,907,026	-
Postage and courier	756,261	831,652
Printing and stationery	11,518	962,555
Protective clothing	957,225	-
Subscriptions and membership fees	432,927	-
Telephone and fax	1,470,318	-
Training	122,469	850,470
Travel - local	2,291,709	2,941,512
Utilities - Other	6,166,074	-
Consumables	21,823,927	-
Indigent burials	(96,797)	321,810
Other expenses	16,632,793	42,976,121
	71,423,869	**59,377,248**

37. Loss on disposal of assets and liabilities

Property, plant and equipment	(3,081,730)	(14,253,412)

Figures in Rand	2017	2016

38. Cash generated from operations

Deficit	(68,293,392)	(74,644,708)
Adjustments for:		
Depreciation and amortisation	64,491,356	77,951,632
Gain on sale of assets and liabilities	3,081,730	14,102,378
Penalties	(3,233,236)	-
Finance costs	16,078	-
Debt impairment	17,700,246	16,576,194
Movements in retirement benefit assets and liabilities	5,151,000	7,004,000
Movements in provisions	(40,348,350)	5,702,292
Penalties	-	(2,318,099)
Fair value adjustment: investment property	-	(1,410,931)
Reassessment of useful life	(481,143)	-
Traffic	(1,603,776)	(5,843,907)
Interest income	(1,885,510)	-
Changes in working capital:		
Inventories	1,971,259	4,216,246
Receivables from exchange transactions	(10,940,683)	(8,264,673)
Other receivables from non-exchange transactions	5,295,351	-
Payables from exchange transactions	41,955,353	9,519,594
VAT	5,290,953	(6,958,149)
Unspent conditional grants and receipts	6,208,804	5,580,300
Consumer deposits	167,512	447,258
Other liability	-	(4,237,874)
	24,543,552	**37,421,553**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	52,329,124	7,220,483
Total capital commitments		
Already contracted for but not provided for	52,329,124	7,220,483

This expenditure relates to Property Plant and Equipment and will be finances from Government Grants.

Project	**Commitment**
DESIGN AND CONSTRUCTION EMADRESINI GRAVEL ROAD (WARD 17)	7,289,478
	7,289,478

Figures in Rand	2017	2016

40. Contingencies

Legal letters were sent to the Municipalities attorneys in order to obtain details of potential claims against the municipality. Responses were received back from Garlicke and Bousfield. The details of the claimant and an estimation of the potential claim is detailed below. As at the end of the financial year the municipality had the following litigation matters outstanding:

Contingencies		
African Oxygen Limited	8,000	8,000
Claveshay Estates CC	25,155,000	-
Martin and Mathinius Pretorius	400,000	400,000
Martin and Mathinius Pretorius	100,000	100,000
51 employees	50,000	50,000
Appeals Board	150,000	150,000
Eric Maphiri	50,000	50,000
Mrs Martha Laas	200,000	200,000
Johannes C. Van der Colf	80,000	80,000
Afriforum	25,000	25,000
Noord Vrystaat Graan & Vee	100,000	100,000
Itramas	500,000	500,000
Nashay Singh	550,000	550,000
Tender documents relating to reading of meters	37,747	37,747
JD Hoffman (legal fees and damage)	145,301	145,301
Metgovis Pty Ltd (Legal fees and damage)	105,873	105,873
SA Local authorities and pension fund (Legal fees and damage)	431,980	431,980
Dumani Projects Pty Ltd (Legal fees and damage)	342,545	342,545
High Court Case no. 3265/2009 Edcon Ltd and Wrley and Parsons RSA (legal fees plus damage)	6,157,101	6,157,101
TZ 98 illegal occupation of ERF 561	56,558	56,558
T423 Non-responsive client	5,154	5,154
Petroleum Pty Ltd	3,000	3,000
FJ Bender	71,917	71,917
MP Mdletshe	13,260	13,260
Hofman	193,795	193,795
Dumani Projects	282,544	282,544
Metgovis	64,772	64,772
Edcon	6,169,591	6,169,591
Graceland Investments	48,720	48,720
MI Sangweni	137,388	137,388
IFP & Mthembu	100,000	100,000
MEC/VJ. Mthemnbu & AbaQulusi	20,000	20,000
Sharp Business/Sharks Prof.	3,000,000	3,000,000
Farm Welgevonden (Shoba)	50,000	50,000
Traffic Officer - MN Buthelezi	20,000	20,000
Chickerone CC	30,000	30,000
Sharp Busniess Service	2,000,000	2,000,000
	46,855,246	**21,700,246**

41. Related parties

During the current financial year the following related party transactions were identified:

Lithotech was in service of the state (Ethekwini Municipality) as declared on the MD4 dated 9 September 2014.

The managing director of Qomkufa was in service of the state as a traffic officer at Endumeni Municipality as per the MD4 declaration dated 7 September 2016.

LITHOTECH SALES KWAZULU NATAL	101,688	-
QOMKUFA TRADING T/A QOMKUFA SE	1,905,832	-
CONLOG (PTY) LTD	580,078	-
	2,587,598	-

42. Prior period errors

The aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2016 is as follows:

During the financial year 2016/2017 the following prior period errors were identified and corrected. These corrections were made to correctly reflect the comparative figures for the 2015/2016 financial year.

The table below outlines the reasons for the necessary adjustments:.

Property Plant and Equipment	**2016**
Balance as previously reported	1,472,368,094
Reassessment of useful lives	13,702,860
Newly assets brought onto FAR at fair value	159,175,922
Restated balance as at 30 June 2016	**1,645,246,876**

Intagible Assets	**2016**
Balance as previously reported	91,727
Reassessment of useful lives	379,329
Restated balance as at 30 June 2016	**471,056**

Inventories	**2016**
Balance as previously reported	7,026,937
Prior year stock adjustment - GL was not adjusted after stock count.	3,466,258
Restated balance as at 30 June 2016	**10,493,195**

Accumulated Surplus	**2016**
Balance as perviously reported	1,393,322,257
Property Plant and Equipment	172,878,792
Inventory	3,466,258
Intangible Assets	379,329
Restated balance as at 30 June 2016	**1,570,046,636**

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The going concern principle is the assumption that an entity will remain in operation for the foreseeable future. The municipality's current liabilities of R139.61 million exceeded its current assets of R106.38 million as at 30 June 2017. Furthermore the municipality incurred a loss of revenue due to material distribution losses relating to electricity of R2,86 million and water losses of R68,37 million at 30 June 2017, as well as a high rate of non-payment by debtors. These conditions, along with a significant deficit that was incurred in each of the last two financial years indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern in the foreseeable future. The municipality adopted a revenue enhancement strategy to address possible going concern uncertainties.

Figures in Rand	2017	2016

43. Going concern (continued)

Acid Test Ratio	Current Assets	Current Liabilities	Acid Test Ratio
2016/2017	97,861,800	139,605,975	0.70

The acid test ratio is calculated as a municipality's current assets minus inventory divided by current liabilities. The accepted acid test ratio is considered to be 1:1, which indicates that the entity is able to meet its current credit obligations without disposing of its inventory.

Current Asset Ratio	Current Assets	Current Liabilities	Current Asset Ratio
2016/2017	106,383,737	139,605,975	0.76

The current ratio (also called the working capital ratio) is calculated as current assets divided by current liabilities. This ratio measures the extent to which current or short-term assets can be disposed to liquidate the current or short-term liabilities. The acceptable ratio is 1:1. The Municipality demonstrates postive current asset ratios.

Debt Ratio	Total Liabilities	Total Assets	Debt Ratio
2016/2017	237,094,940	1,738,851,603	0.14

The debt ratio is the proportion of debt the entity has relative to its assets and provides an indication as to how much municipalities rely on debt to finance their assets. This ratio assists entities to assess risks they are facing in terms of their debt load..

Based on the above, there is no indication that the Municipality may not meet its obligations as they become due in the short term. In addition, there is indication of material uncertainties or events that cast doubt on the Municipalities ability to continue as a going concern.

44. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

45. Unauthorised expenditure

Opening Balance	98,735,435	70,382,959
Remuneration of Councillors	-	237,046
Personnel	764,506	-
Contribution of Landfill Site Rehabilitation	-	5,702,292
Post Employee Benefits	2,151,000	3,368,000
Provision for doubtful debts	11,200,246	9,577,194
Finance Leases	-	9,467,944
Bulk purchases	3,855,973	-
Contracted services	165,916	-
Grant expenditure	7,714,665	-
General expenses	893,560	-
	125,481,301	**98,735,435**

The expenditure incurred will be investigated and tabled to Council and National Treasury for approval.

46. Fruitless and wasteful expenditure

Opening Balance	809,430	571,820
Penalties SARS	-	147,950
Eskom Interest	11,026	85,259
Telkom Interest	-	4,401
	820,456	**809,430**

46. Fruitless and wasteful expenditure (continued)

The total fruitless and wateful expenditure was investigated and a report will be tabled to Council and National Treasury for approval.

Figures in Rand	2017	2016

47. Irregular expenditure

Opening balance	48,341,734	23,424,679
Chris Vermaak	424,414	177,865
KD Electrical	283,046	119,881
Kuntwela Enzansi Ventures CC	878,741	369,236
Lasercom	492,335	423,639
Link Up Security	500,256	341,411
Municipal Incorp	1,837,920	958,027
MWEB Connect (Pty) Ltd	99,586	42,913
SABS Group Sales and Marketing	-	119,322
Shalom Security	59,568	44,676
Steiner Hygiene Express	111,187	63,830
Time Freight Express	115,771	32,047
Winded	35,303	30,517
Zululand Funeral CC	118,200	77,920
BJM Plant Hire	-	1,499,442
Time Freight	103,476	57,969
Ado Research Labs	376,306	158,493
Altech Autopage Cellular	-	197,874
Muncomp Systems	80,715	95,614
Vryheid Bookstore	-	20,792
Windeed	-	39,575
TCS	-	64,623
Empndlo Bus Services	-	140,000
Promo Direct	-	99,716
Emondlo Bus Services	-	90,000
Zamakhumalo Projects	2,624,612	1,263,746
RIS	6,463,495	4,902,056
Wesbank	7,134,454	5,784,712
Aqua Transport & Plant Hire	9,345,683	7,050,069
Nashua Maluti	176,266	98,238
Dolphin Coast Management	6,932,768	552,852
Altech Netstar	88,156	-
Brandfin Trade	103,476	-
Business Connexion	3,511	-
Centrafin (Pty) Ltd	132,935	-
Contour Technology	655,061	-
Human Communications	451,141	-
Inside data	273,366	-
Konica Minolta	198,450	-
Marsh	5,772,008	-
Ossies Tyres	199,195	-
OTIS (Pty) Ltd	42,664	-
Rheochem (Pty) Ltd	1,476,826	-
Sharp Business	667,908	-
Total Client Service	99,647	-
Nomthebe trading and projects	283,488	-
Fana manufacturing cc Inv	175,000	-
Quantum leap	5,844,353	-
Louwsburg tar road	194,268	-
Thembaleth Civils	1,682,211	-
Samkelintokozo CC - False declaration	56,795	-
IBFS Trading and Services	58,805	-
Zwiwe trading	93,609	-
KD Electrical - False declaration	57,593	-
Nkonzi Trading	8,840	-
Gess trading	29,925	-
Dela - Soul Trading Ana Project	12,500	-
Sengkhona Trading	28,500	-
Isando Coronation Multipurpose	58,004	-
Ntshinga's Construction and Projects	23,536	-

Figures in Rand	2017	2016
47. Irregular expenditure (continued)		
Samkelintokozo CC	67,150	-
DoE Grant	10,714,707	-
Bigen Africa Services	1,044,606	-
	117,134,070	**48,341,734**

The expenditure will be investigated and a report will be tabled to council.

48. Deviation from supply chain management regulations

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

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

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

	2017	2016
Supply Chain Management Deviations more than R 200 000		
MBNN Trading	-	202,065
ADO Research Labs (Pty) Ltd	-	264,537
Actom Electrical Products	243,960	-
	243,960	**466,602**

	2017	2016
Supply Chain Management Deviations less than R 200 000		
Various deviations less than R 200 000	2,103,849	1,158,050

49. Distribution Losses

The actual loss in distribution water cannot be determined in view of the fact that eMondlo consumers are not billed. The difference between water purified and sold can therefore not be regarded as lost in distribution, seeing that a large percentage of it is not metered.

	2017	2016
Electricity		
Number of consumers (Residential & Commercial)	20,880	20,935
Units purchased	151,527,367	157,821,681
Units sold (Total)	109,400,781	82,996,662
Units lost in Distribution	42,126,586	74,825,019
% Lost in distribution	28	47
Total Costs (Expenses)	245,958,862	224,387,697
Cost per unit purchased	2	1
TOTAL COST LOST THROUGH DISTRIBUTION	68,379,774	106,384,709
	-	-

Figures in Rand	2017	2016

49. Distribution Losses (continued)

Water		
Number of consumers	14,758	10,221
Kilolitres purified	3,387,500	6,227,000
Kilolitres sold (Total)	974,141	2,834,023
Kilolitres lost in distribution	2,413,359	3,392,977
% Lost in distribution	71	54
Total Cost (Expense) - Calculated on weighted average	4,027,843	14,102,175
Cost per kilolitre purified	1	2
TOTAL COST LOST THROUGH DISTRIBUTION	2,869,559	7,684,014
	-	-

50. Water Inventory

Water Inventory - 2016	Rand Value of Inventory 2016
Opening Balance	6,537,566
Purified	14,073,020
Less sold	(6,404,892)
Less loss through purification 10%	(766,813)
Provision for free basic water	(7,668,128)
Adjustment to stock valuation report	(5,744,264)
Closing Balance	**26,489**

Water Inventory - 2017	Rand Value of Inventory 2017
Opening Balance	26,489
Purified	4,027,843
Less sold	(1,158,284)
Less loss through purification 10%	(402,784)
Less sold to indigent	(10,371)
Loss through distribution	(2,458,634)
	24,259

51. Risk Mangement

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

Cash flow forecasts are prepared and adequate, utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Financial Instruments		
Current Assets	106,572,180	111,949,402
Current Liabilities	140,290,060	91,274,306
	-	-

Liquidity Ratio	0.76
1.23	

51. Risk Mangement (continued)

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.

At 30 June 2017, financial instruments exposed to interest rate risk were call and notice deposits.

Credit Risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash. The Municipalities exposure to credit risk is indicated below.

Cash and Cash Equivalents	11,708,975	13,621,710
Receivables from non-exchange transactions	42,528,826	48,404,395
Receivables from exchange transactions	39,419,559	33,212,524
	-	-

52. Additional Note in terms of the Municipal Finance Management Act

PAYE and UIF		
Current year payroll deductions	23,240,406	22,637,667
Amount paid - current year	(23,240,406)	(22,637,667)
	-	-

Councillor's arrear consumer account June 2017	Outstanding more than 90 days	Total
TZ Mavundla	2,126	2,126

Councillor's arrear consumer accounts June 2016	Outstanding more than 90 days	Total
MM Kunene	5,041	5,041
DP Mazibuko	1,633	1,633
DP Mazibuko	1,139	1,139
	7,813	**7,813**