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

General Information

Legal form of entity	
	Category C municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117 of 1998) read with Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996
Nature of business and principal activities	The main business operations of the municipality is to engage in localgovernance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Mayoral committee	
Executive Mayor	Mochela J
Councillors	Mopedi N (Speaker)
	Mbele M (Exco member)
	Mmusi M (Exco member)
	Mofokeng M (Exco member)
	Mofokeng M (Exco member)
	Ndayi R (Exco member)
	Serathi K (Exco member)
	Sotshiva L (Exco member)
	De Beer V
	De Jager S
	Ferendale R
	Fieland H
	Gobidolo M
	Kgantse R
	La Cock P
	Mabena J
	Magashule M
	Matroos AH
	Mehlo R
	Miyen M
	Mofokeng M
	Molaphene P
	Motebele R
	Mvulane S
	Nteo S
	Radebe S
	Rapuleng ND
	Schoonwinkel A
	Sehume A
	Serfontein C
	Taje M
	Toyi M
	Thene B

General Information

	Van Der Merwe P Vermaak S
Grading of local authority	Category C
Capacity of local authority	Medium capacity
Municipal demarcation code	FS 203
Accounting Officer	Kannemeyer BW
Chief Finance Officer (CFO)	Samyala N
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	Utilise attorneys in Municipal areas (Detailed list available at Municipal offices)
Contact details	Chief Financial Officer - 056 816 2700 Municipal Manager - 056 816 2700

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

Abbreviations

DBSA	Development Bank of South Africa
AGSA	Auditor-General of South Africa
GRAP	Generally Recognised Accounting Practice
INEG	Department of Mineral and Energy Grant
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SARS	South African Revenue Services
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’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 wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 12 October 2017 and were signed on its behalf by:

Accounting Officer
Mr. Kannemeyer BW

12 October 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	645 673	456 101
Receivables from exchange transactions	4&6	68 897 896	46 385 682
Receivables from non exchange transactions	5&6	19 591 247	16 196 257
Sundry receivables	7	10 675 864	5 901 733
Cash and cash equivalents	8	3 780 791	8 443 765
VAT receivable	9	111 727 626	76 570 521
		215 319 097	**153 954 059**
Non-Current Assets			
Investment property	10	116 519 727	110 445 240
Property, plant and equipment	11	792 186 856	740 778 056
Intangible assets	12	4 797 258	1 321 200
Other financial assets	13	911 546	849 591
		914 415 387	**853 394 087**
Total Assets		**1 129 734 484**	**1 007 348 146**
Liabilities			
Current Liabilities			
Other financial liabilities	14	734 332	2 181 704
Finance lease obligation	15	313 060	282 326
Payables from exchange transactions	16	1 028 292 373	707 607 258
Consumer deposits	17	5 249 695	5 367 740
Unspent conditional grants and receipts	18	112 814	508 115
Provisions	19	104 803 165	98 928 724
Employee benefit obligation	20	3 554 000	3 196 000
		1 143 059 439	**818 071 867**
Non-Current Liabilities			
Other financial liabilities	14	-	1 465 238
Finance lease obligation	15	42 418	353 745
Provisions	19	104 844 712	114 645 270
Employee benefit obligation	20	51 811 000	51 129 000
		156 698 130	**167 593 253**
Total Liabilities		**1 299 757 569**	**985 665 120**
Net Assets		**(170 023 085)**	**21 683 026**
Accumulated deficit		(170 023 085)	21 683 026

* See Note 45 & 46

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	22	261 919 438	241 164 419
Rental of facilities and equipment	23	1 451 563	1 008 756
Dividends received - trading		-	1 860
Other income	25	1 921 542	1 695 828
Interest received	26	45 119 389	35 863 894
Total revenue from exchange transactions		**310 411 932**	**279 734 757**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	76 797 103	64 480 845
Fines, penalties and forfeits	28	1 338 911	762 625
Transfer revenue			
Government grants and subsidies	29	236 594 300	266 946 629
Total revenue from non-exchange transactions		**314 730 314**	**332 190 099**
Total revenue		**625 142 246**	**611 924 856**
Expenditure			
Employee related costs	30	(186 763 716)	(181 460 274)
Remuneration of councillors	31	(11 443 395)	(11 478 641)
Bad debts written off		(173 235 102)	(26 846 582)
Depreciation and amortisation	32	(66 234 822)	(62 790 113)
Finance costs	33	(106 579 869)	(79 518 333)
Debt Impairment	34	55 953 470	(91 211 379)
Repairs and maintenance	35	(25 643 238)	(10 048 009)
Bulk purchases	36	(212 136 461)	(181 519 870)
Contracted services	37	(1 919 505)	(1 360 105)
General expenses	38	(97 932 564)	(102 943 941)
Total expenditure		**(825 935 202)**	**(749 177 247)**
Operating deficit		**(200 792 956)**	**(137 252 391)**
Loss on disposal of assets and liabilities		(1 123 354)	-
Fair value adjustments	39	6 132 189	5 721 773
Actuarial gains/(losses)	20	4 048 845	(44 000)
Inventories surplus / (losses)		83 055	(100 962)
		9 140 735	**5 576 811**
Deficit for the year		**(191 652 221)**	**(131 675 580)**

* See Note 45 & 46

Statement of Changes in Net Assets

	Accumulated deficit R	Total net assets R
Opening balance as previously reported	81 940 342	81 940 342
Adjustments		
Correction of errors - note 46 & 47	71 418 264	71 418 264
Balance at 01 July 2015 as restated*	**153 358 606**	**153 358 606**
Changes in net assets		
Deficit for the year	(131 675 580)	(131 675 580)
Total changes	(131 675 580)	(131 675 580)
Restated* Balance at 01 July 2016	**21 683 026**	**21 683 026**
Changes in net assets		
Other	(53 890)	(53 890)
Net income (losses) recognised directly in net assets	(53 890)	(53 890)
Deficit for the year	(191 652 221)	(191 652 221)
Total recognised income and expenses for the year	(191 706 111)	(191 706 111)
Total changes	(191 706 111)	(191 706 111)
Balance at 30 June 2017	**(170 023 085)**	**(170 023 085)**

* See Note 45 & 46

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		228 082 687	260 881 203
Grants		236 198 999	267 378 565
Interest income		1 522 469	1 998 414
Dividends received		-	1 860
Other receipts		(62 115)	(743 943)
		465 742 040	529 516 099
Payments			
Employee costs		(185 673 585)	(211 672 792)
Suppliers		(202 440 099)	(225 610 666)
Finance costs		(2 695 104)	(3 674 846)
		(390 808 788)	(440 958 304)
Net cash flows from operating activities	41	**74 933 252**	**88 557 795**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(69 265 448)	(77 811 491)
Purchase of other intangible assets	12	(3 935 160)	-
Additions to investments		(4 254)	615 485
Net cash flows from investing activities		**(73 204 862)**	**(77 196 006)**
Cash flows from financing activities			
Repayment of other financial liabilities		(2 912 610)	(2 657 065)
Employee benefit obligation payment		(3 198 155)	(2 785 000)
Finance lease payments		(280 593)	(561 176)
Net cash flows from financing activities		**(6 391 358)**	**(6 003 241)**
Net increase/(decrease) in cash and cash equivalents		**(4 662 968)**	**5 358 548**
Cash and cash equivalents at the beginning of the year		8 443 765	3 085 217
Cash and cash equivalents at the end of the year	8	**3 780 797**	**8 443 765**

* See Note 45 & 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	271 344 279	49 491 333	**320 835 612**	261 919 438	**(58 916 174)**	55.1
Rental of facilities and equipment	3 500 000	1 079 402	**4 579 402**	1 451 563	**(3 127 839)**	55.2
Other income	10 873 192	(3 493 622)	**7 379 570**	1 921 542	**(5 458 028)**	55.3
Interest received	12 000 000	(6 000 000)	**6 000 000**	45 119 389	**39 119 389**	55.4
Total revenue from exchange transactions	**297 717 471**	**41 077 113**	**338 794 584**	**310 411 932**	**(28 382 652)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	152 214 627	27 877 927	**180 092 554**	76 797 103	**(103 295 451)**	55.5
Fines, penalties and forfeits	1 200 500	(293 947)	**906 553**	1 338 911	**432 358**	55.6
Transfer revenue						
Government grants and subsidies	226 747 000	10 000 000	**236 747 000**	236 594 300	**(152 700)**	<10%
Total revenue from non-exchange transactions	**380 162 127**	**37 583 980**	**417 746 107**	**314 730 314**	**(103 015 793)**	
Total revenue	**677 879 598**	**78 661 093**	**756 540 691**	**625 142 246**	**(131 398 445)**	
Expenditure						
Employee related costs	(159 559 417)	(9 196 684)	**(168 756 101)**	(186 763 716)	**(18 007 615)**	55.7
Remuneration of councillors	(11 500 000)	773 474	**(10 726 526)**	(11 443 395)	**(716 869)**	<10%
Administration	-	-	**-**	(173 235 102)	**(173 235 102)**	
Depreciation and amortisation	(90 000 000)	28 000 000	**(62 000 000)**	(66 234 822)	**(4 234 822)**	55.8
Debt impairment	(86 512 123)	(33 000 000)	**(119 512 123)**	55 953 470	**175 465 593**	55.9
Finance costs	(72 000 000)	-	**(72 000 000)**	(106 579 869)	**(34 579 869)**	55.10
Repairs and maintenance	(12 000 000)	(720 239)	**(12 720 239)**	(25 643 238)	**(12 922 999)**	55.11
Bulk purchases	(204 667 107)	4 880 000	**(199 787 107)**	(212 136 461)	**(12 349 354)**	55.12
Contracted services	(26 045 000)	(9 347 698)	**(35 392 698)**	(1 919 505)	**33 473 193**	55.13
General expenses	(76 126 950)	(37 153 467)	**(113 280 417)**	(97 932 564)	**15 347 853**	55.14
Total expenditure	**(738 410 597)**	**(55 764 614)**	**(794 175 211)**	**(825 935 202)**	**(31 759 991)**	
Operating deficit	**(60 530 999)**	**22 896 479**	**(37 634 520)**	**(200 792 956)**	**(163 158 436)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 123 354)	**(1 123 354)**	55.18
Fair value adjustments	-	-	**-**	6 132 189	**6 132 189**	55.18
Actuarial gains	-	-	**-**	4 048 845	**4 048 845**	55.18
Inventories surplus	-	-	**-**	83 055	**83 055**	55.18
	-	**-**	**-**	**9 140 735**	**9 140 735**	
Deficit for the year	**(60 530 999)**	**22 896 479**	**(37 634 520)**	**(191 652 221)**	**(154 017 701)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	645 673	**645 673**	55.18
Receivables from exchange transactions	-	-	-	68 897 896	**68 897 896**	55.15
Receivables from non exchange transactions	675 854 000	(613 272 063)	**62 581 937**	19 591 247	**(42 990 690)**	55.15
Sundry receivables	-	-	-	10 675 864	**10 675 864**	55.18
Cash and cash equivalents	205 255 000	(196 811 235)	**8 443 765**	3 780 791	**(4 662 974)**	55.16
VAT receivable	-	-	-	111 727 626	**111 727 626**	55.18
	881 109 000	**(810 083 298)**	**71 025 702**	**215 319 097**	**144 293 395**	
Non-Current Assets						
Investment property	152 718 000	(42 272 761)	**110 445 239**	116 519 727	**6 074 488**	< 10%
Property, plant and equipment	1 631 053 000	(895 268 645)	**735 784 355**	792 186 856	**56 402 501**	55.17
Intangible assets	-	1 321 200	**1 321 200**	4 797 258	**3 476 058**	55.19
Other financial assets	800 000	849 591	**1 649 591**	911 546	**(738 045)**	55.20
	1 784 571 000	**(935 370 615)**	**849 200 385**	**914 415 387**	**65 215 002**	
Total Assets	**2 665 680 000**	**(1 745 453 913)**	**920 226 087**	**1 129 734 484**	**209 508 397**	
Liabilities						
Current Liabilities						
Other financial liabilities	2 200 000	(18 000)	**2 182 000**	734 332	**(1 447 668)**	55.21
Finance lease obligation	-	-	-	313 060	**313 060**	55.24
Payables from exchange transactions	580 000 000	131 250 579	**711 250 579**	1 028 292 373	**317 041 794**	55.22
Consumer deposits	-	5 368 000	**5 368 000**	5 249 695	**(118 305)**	< 10%
Unspent conditional grants and receipts	-	508 116	**508 116**	112 814	**(395 302)**	55.23
Provisions	-	98 929 000	**98 929 000**	104 803 165	**5 874 165**	55.24
Employee benefit obligation	-	-	-	3 554 000	**3 554 000**	55.25
	582 200 000	**236 037 695**	**818 237 695**	**1 143 059 439**	**324 821 744**	
Non-Current Liabilities						
Other financial liabilities	1 200 000	265 238	**1 465 238**	-	**(1 465 238)**	55.21
Finance lease obligation	-	353 745	**353 745**	42 418	**(311 327)**	55.24
Provisions	-	114 645 270	**114 645 270**	104 844 712	**(9 800 558)**	55.24
Employee benefit obligation	-	77 160 000	**77 160 000**	51 811 000	**(25 349 000)**	55.25
	1 200 000	**192 424 253**	**193 624 253**	**156 698 130**	**(36 926 123)**	
Total Liabilities	**583 400 000**	**428 461 948**	**1 011 861 948**	**1 299 757 569**	**287 895 621**	
Net Assets	**2 082 280 000**	**(2 173 915 861)**	**(91 635 861)**	**(170 023 085)**	**(78 387 224)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	2 082 280 000	(2 173 915 861)	**(91 635 861)**	(170 023 085)	**(78 387 224)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	336 514 004	(94 454 983)	**242 059 021**	184 485 767	**(57 573 254)**	55.26
Grants	226 747 000	5 000 000	**231 747 000**	236 198 999	**4 451 999**	<10%
Interest income	5 000 000	2 500 000	**7 500 000**	45 119 389	**37 619 389**	55.27
Dividends received	8 000	(4 000)	**4 000**	-	**(4 000)**	55.28
Other receipts	15 264 000	(2 934 357)	**12 329 643**	(62 115)	**(12 391 758)**	55.29
	583 533 004	**(89 893 340)**	**493 639 664**	**465 742 040**	**(27 897 624)**	
Payments						
Suppliers and employee costs	(463 296 000)	22 330 122	**(440 965 878)**	(235 186 499)	**205 779 379**	55.30
Finance costs	(30 000 000)	-	**(30 000 000)**	(106 579 863)	**(76 579 863)**	55.30
	(493 296 000)	**22 330 122**	**(470 965 878)**	**(341 766 362)**	**129 199 516**	
Net cash flows from operating activities	**90 237 004**	**(67 563 218)**	**22 673 786**	**123 975 678**	**101 301 892**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(64 920 000)	5 000 000	**(59 920 000)**	(118 307 874)	**(58 387 874)**	55.31
Purchase of other intangible assets	-	-	**-**	(3 935 160)	**(3 935 160)**	55.18
Purchase of financial assets	-	-	**-**	(4 254)	**(4 254)**	55.18
Net cash flows from investing activities	**(64 920 000)**	**5 000 000**	**(59 920 000)**	**(122 247 288)**	**(62 327 288)**	
Cash flows from financing activities						
Repayment of other financial liabilities	(2 880 000)	-	**(2 880 000)**	(2 912 610)	**(32 610)**	<10%
Employee benefit obligations	-	-	**-**	(3 198 155)	**(3 198 155)**	55.18
Finance lease payments	-	-	**-**	(280 593)	**(280 593)**	55.18
Net cash flows from financing activities	**(2 880 000)**	**-**	**(2 880 000)**	**(6 391 358)**	**(3 511 358)**	
Net increase/(decrease) in cash and cash equivalents	22 437 004	(62 563 218)	**(40 126 214)**	(4 662 968)	**35 463 246**	
Cash and cash equivalents at the beginning of the year	5 000 000	3 443 765	**8 443 765**	8 443 765	**-**	
Cash and cash equivalents at the end of the year	**27 437 004**	**(59 119 453)**	**(31 682 449)**	**3 780 797**	**35 463 246**	
Reconciliation						

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) (MFMA).

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. All figures are rounded to the nearest rand.

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 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:

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occured, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

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 municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

Fair value

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 35).

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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Airport	Straight line	15 to 20 years
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 to 10 years
Infrastructure	Straight line	3 to 100 years

Accounting Policies

1.4 Property, plant and equipment (continued)

IT equipment	Straight line	3 to 6 years
Land		Fair value model
Motor vehicles	Straight line	3 to 20 years
Office equipment	Straight line	3 to 6 years
Plant and machinery	Straight line	5 to 15 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 35).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, rehabilitation and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are initially measured at cost.

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

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.

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 to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years
Servitutes		Indefinite

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

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

Accounting Policies

1.7 Impairment of cash-generating assets

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

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 tests 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 is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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.

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 uses 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.

1.7 Impairment of cash-generating assets (continued)

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 municipality 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.

Reversal of impairment loss

The municipality assesses 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 municipality 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.

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.

1.8 Impairment of non-cash-generating assets

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

Accounting Policies

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

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 municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is 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:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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

Reversal of an impairment loss

The municipality assesses 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.

1.9 Financial instruments

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

Classification

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

Class	Category
Shares	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Sundry receivables	Financial asset measured at amortised cost
Vat receivable	Financial asset measured at amortised cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality 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.

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
  - derecognises the asset; and
  - recognises 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 municipality 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).

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.10 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Inventories

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

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 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 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

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

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

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

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

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

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

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

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

Sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.14 Employee benefits (continued)

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees for every 5 years of completed services from 5 to 45 years.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Accounting Policies

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating loss.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

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

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

1.16 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.17 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.18 Revenue from exchange transactions

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.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

1.19 Revenue from non-exchange transactions

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

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with 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.

Measurement

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

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

Property rates

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

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

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

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

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

Transfers

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

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

1.19 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

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.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

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

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the statement of financial performance recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 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 municipality assesses the classification of each element separately.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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.

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

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

Operating leases - lessee

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

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

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

1.23 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.24 Comparative figures

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

1.25 Commitments

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

1.25 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 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.

1.27 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.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’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.

1.29 Budget information

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

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

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

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

1.30 Related parties

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

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

Accounting Policies

1.30 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, 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.

1.31 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses 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.

	2017 R	2016 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

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

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

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

- control;
- related party transactions; and
- remuneration of management

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 18 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its current operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	Effective date has not yet been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	Effective date has not yet been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	Effective date has not yet been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	Effective date has not yet been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	Effective date has not yet been determined by the Minister of Finance	Unlikely there will be a material impact
GRAP 27 (as amended 2016): Agriculture	1 April 2018	Unlikely there will be a material impact
GRAP 103 (as amended 2016): Heritage Assets	1 April 2018	Unlikely there will be a material impact
GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	1 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

	2017 R	2016 R

3. Inventories

Water	155 864	147 716
Stores and material	489 809	308 385
	645 673	**456 101**

Stock surpluses / (losses) during the year	83 055	(100 651)
Inventories recognised as an expense during the year	772 985	521 959

Inventory pledged as security

None of the inventory was pledged as security.

4. Receivables from exchange transactions

Consumer debtors - Electricity	27 559 730	25 854 235
Consumer debtors - Water	6 839 473	6 901 908
Consumer debtors - Sewerage	17 997 387	6 384 997
Consumer debtors - Refuse	8 212 571	5 076 166
Consumer debtors - Sundry receivables	8 288 735	2 168 376
	68 897 896	**46 385 682**

Trade and other receivables pledged as security

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

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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

Fair value of trade and other receivables

The carying value of the consumer receivables recorded at amortised cost approximate their fair value

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 419 606 948 (2016: R 486 758 096) were impaired and provided for.

The amount of the provision was R 67 151 148 as of 30 June 2017 (2016: R (19 245 712)).

The ageing of these receivables is as follows:

0 - 30 days	52 291 988	28 425 739
31 - 60 days	16 477 293	16 412 530
61 - 90 days	13 527 049	15 009 944
91 - 120 days	13 181 366	18 008 736
120 - 360 days	103 772 026	138 677 463
Over 360 days	289 255 123	316 609 362

Notes to the Annual Financial Statements

	2017 R	2016 R

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(486 758 096)	(467 712 384)
Provision for impairment	67 151 148	(19 045 712)
	(419 606 948)	**(486 758 096)**

5. Receivables from non-exchange transactions

Property rates	19 591 247	16 196 257

Receivables from non-exchange transactions pledged as security

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

Credit quality of receivables from non exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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

Fair value of receivables from non exchange transactions

The carrying vale of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R 85 219 889 (2016: R 79 686 380) were impaired and provided for.

The amount of the provision was R 5 533 509 as of 30 June 2017 (2016: R 18 023 848).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(79 686 380)	(61 662 532)
Contribution to allowance	(5 533 509)	(18 023 848)
	(85 219 889)	**(79 686 380)**

6. Receivable from exchange and non exchange transactions disclosure

Gross balances		
Consumer debtors - Rates	104 811 136	95 882 637
Consumer debtors - Electricity	98 805 580	116 182 293
Consumer debtors - Water	162 511 035	192 703 805
Consumer debtors - Sewerage	128 245 337	114 535 461
Consumer debtors - Refuse	83 923 962	99 023 709
Consumer debtors - Sundry receivables	15 018 930	10 698 508
	593 315 980	**629 026 413**

	2017 R	2016 R

6. Receivable from exchange and non exchange transactions disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(85 219 889)	(79 686 380)
Consumer debtors - Electricity	(71 245 850)	(90 328 058)
Consumer debtors - Water	(155 671 562)	(185 801 897)
Consumer debtors - Sewerage	(110 247 950)	(108 150 464)
Consumer debtors - Refuse	(75 711 391)	(93 947 543)
Consumer debtors - Sundry receivables	(6 730 195)	(8 530 132)
	(504 826 837)	**(566 444 474)**

Net balance		
Consumer debtors - Rates	19 591 247	16 196 257
Consumer debtors - Electricity	27 559 730	25 854 235
Consumer debtors - Water	6 839 473	6 901 908
Consumer debtors - Sewerage	17 997 387	6 384 997
Consumer debtors - Refuse	8 212 571	5 076 166
Consumer debtors - Sundry receivables	8 288 735	2 168 376
	88 489 143	**62 581 939**

Rates		
Current (0 -30 days)	13 524 326	3 703 007
31 - 60 days	3 270 534	3 598 842
61 - 90 days	2 819 897	3 367 509
91 - 120 days	2 593 483	2 550 588
121 - 360 days	18 056 803	19 650 855
> 360 days	64 546 095	63 011 837
Less: impairment	(85 219 889)	(79 686 380)
	19 591 249	**16 196 258**

Electricity		
Current (0 -30 days)	14 640 653	10 237 141
31 - 60 days	3 651 408	3 940 074
61 - 90 days	2 835 995	3 794 041
91 - 120 days	3 079 570	5 686 137
121 - 360 days	26 780 466	39 114 234
> 360 days	47 817 488	53 410 666
Less: impairment	(71 245 850)	(90 328 058)
	27 559 730	**25 854 235**

Water		
Current (0 -30 days)	11 496 058	8 629 777
31 - 60 days	4 875 076	6 805 029
61 - 90 days	5 131 008	5 308 222
91 - 120 days	4 777 569	6 821 809
121 - 360 days	37 765 597	53 472 741
> 360 days	98 465 727	111 666 227
Less: impairment	(155 671 562)	(185 801 897)
	6 839 473	**6 901 908**

Notes to the Annual Financial Statements

	2017 R	2016 R

6. Receivable from exchange and non exchange transactions disclosure (continued)

Sewerage		
Current (0 -30 days)	15 143 518	3 882 175
31 - 60 days	2 868 577	3 068 728
61 - 90 days	2 939 949	3 488 853
91 - 120 days	2 816 172	2 928 993
121 - 360 days	20 724 466	23 904 480
> 360 days	83 752 655	77 262 232
Less: impairment	(110 247 950)	(108 150 464)
	17 997 387	**6 384 997**

Refuse		
Current (0 -30 days)	6 073 571	2 996 499
31 - 60 days	2 492 827	2 557 563
61 - 90 days	2 547 237	2 388 181
91 - 120 days	2 444 511	2 498 488
121 - 360 days	17 887 712	20 991 509
> 360 days	52 478 104	67 591 469
Less: impairment	(75 711 391)	(93 947 543)
	8 212 571	**5 076 166**

Sundry receivables		
Current (0 -30 days)	4 938 188	2 680 146
31 - 60 days	2 589 404	41 136
61 - 90 days	72 860	30 649
91 - 120 days	63 544	73 310
121 - 360 day	613 785	1 194 499
> 360 days	6 741 149	6 678 768
Less: impairment	(6 730 195)	(8 530 132)
	8 288 735	**2 168 376**

7. Sundry receivables

R/D cheques control account	1 495 789	1 263 863
Under / (over) banking	117 206	101 792
Other sundry receivables	4 639 146	4 536 078
Retentions paid in advance	4 423 723	-
	10 675 864	**5 901 733**

None of the receivables are pledge as security

Renegotiated terms:

None of the receivables that have been fully performed have been renegotiated in the last year.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 565 370	1 333 268
Short-term deposits	2 169 970	7 065 774
Other cash and cash equivalents	45 451	44 723
	3 780 791	**8 443 765**

Notes to the Annual Financial Statements

	2017 R	2016 R

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK - Cheque account - 405-2707-733	1 544 549	1 338 408	2 309 550	1 544 549	1 333 268	2 364 330
ABSA BANK - Call account - 925-3832-988	34 291	164 764	21 911	34 291	164 764	21 911
ABSA BANK - Call account - 925 - 3833 - 502	2 077 854	6 847 695	2 495	2 077 854	6 847 695	2 496
ABSA BANK - Call account - 9250 - 3833 - 764	12 800	12 171	10 000	12 800	12 171	10 000
ABSA BANK - Call account - 925 - 3835 - 643	8 182	1 648	1 569	8 182	1 648	1 569
ABSA BANK - Cheque account - 113 - 000 - 0041	45 451	(12 040)	652 993	45 451	44 723	652 993
ABSA BANK - Call account - 928 - 6271 - 086	22 162	25 571	2 539	22 162	25 571	2 539
ABSA BANK - Call account - 928 - 6271 - 167	14 681	13 925	29 379	14 681	13 925	29 379
Total	**3 759 970**	**8 392 142**	**3 030 436**	**3 759 970**	**8 443 765**	**3 085 217**

9. VAT receivable

	2017 R	2016 R
VAT	111 727 626	76 570 521

The municipality is registered for VAT on the payment basis.

10. Investment property

	Fair value	Fair value
Investment property	116 519 727	110 445 240

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	110 445 240	6 074 487	116 519 727

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	104 687 430	5 757 810	110 445 240

Pledged as security

Carrying value of assets pledged as security:

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.

Notes to the Annual Financial Statements

	2017 R	2016 R

10. Investment property (continued)

Details of valuation

The effective date of the revaluations was 01 July 2017. Revaluations were performed by an independent valuer, Mr Pradeep Ramlall, of AB Projects. AB Projects are not connected to the municipality and have the relevant experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus or deficit

	2017 R	2016 R
Rental revenue from Investment property	1 252 115	766 066

11. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	64 278 571	(28 568 254)	35 710 317	64 278 571	(25 711 429)	38 567 142
Furniture and fixtures	8 780 135	(7 700 409)	1 079 726	9 410 369	(8 034 687)	1 375 682
IT equipment	3 594 544	(2 320 940)	1 273 604	3 328 795	(2 739 150)	589 645
Infrastructure	1 331 655 493	(599 255 798)	732 399 695	1 216 734 353	(538 895 551)	677 838 802
Land	16 684 309	-	16 684 309	16 684 309	-	16 684 309
Motor vehicles	17 302 648	(13 773 329)	3 529 319	17 302 648	(12 620 588)	4 682 060
Office equipment	909 140	(657 592)	251 548	951 301	(693 185)	258 116
Plant and machinery	3 766 283	(2 507 945)	1 258 338	3 211 346	(2 429 046)	782 300
Total	**1 446 971 123**	**(654 784 267)**	**792 186 856**	**1 331 901 692**	**(591 123 636)**	**740 778 056**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Other	Depreciation	Total
Buildings	38 567 142	-	-	-	(2 856 825)	35 710 317
Furniture and fixtures	1 375 682	150 421	(54 485)	-	(391 892)	1 079 726
IT equipment	589 645	958 620	(16 857)	-	(257 804)	1 273 604
Infrastructure	677 838 802	115 908 334	(987 194)	467 393	(60 827 640)	732 399 695
Land	16 684 309	-	-	-	-	16 684 309
Motor vehicles	4 682 060	-	-	-	(1 152 741)	3 529 319
Office equipment	258 116	59 445	(7 773)	-	(58 240)	251 548
Plant and machinery	782 300	763 661	(57 045)	-	(230 578)	1 258 338
	740 778 056	**117 840 481**	**(1 123 354)**	**467 393**	**(65 775 720)**	**792 186 856**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	WIP additions	Depreciation	Total
Buildings	41 423 969	-	-	(2 856 827)	38 567 142
Furniture and fixtures	1 622 813	128 875	-	(376 006)	1 375 682
IT equipment	260 835	434 963	-	(106 153)	589 645
Infrastructure	658 110 130	4 708 607	72 337 117	(57 317 052)	677 838 802
Land	16 684 309	-	-	-	16 684 309
Motor vehicles	6 563 462	-	-	(1 881 402)	4 682 060
Office equipment	318 440	-	-	(60 324)	258 116
Plant and machinery	772 720	201 929	-	(192 349)	782 300
	725 756 678	**5 474 374**	**72 337 117**	**(62 790 113)**	**740 778 056**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

	2017 R	2016 R

11. Property, plant and equipment (continued)

Assets subject to finance lease (net carrying amount)

	2017 R	2016 R
Motor vehicles	380 834	571 281

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	223 955 443	223 955 443

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	157 682 848	157 682 848
Additions/capital expenditure	72 337 117	72 337 117
Transferred to completed items	(6 064 522)	(6 064 522)
	223 955 443	**223 955 443**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2017 R	2016 R
Buildings	920 068	845 184
Infrustructure	21 406 825	6 515 895
Vehicles	2 929 153	2 686 929
	25 256 046	**10 048 008**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. 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	3 935 160	(459 102)	3 476 058	-	-	-
Servitudes	1 321 200	-	1 321 200	1 321 200	-	1 321 200
Total	**5 256 360**	**(459 102)**	**4 797 258**	**1 321 200**	**-**	**1 321 200**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	3 935 160	(459 102)	3 476 058
Servitudes	1 321 200	-	-	1 321 200
	1 321 200	**3 935 160**	**(459 102)**	**4 797 258**

	2017 R	2016 R

12. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Total
Servitudes	1 321 200	1 321 200

Pledged as security

None of the above intangible assets have been pledged as security.

Details of valuation

The effective date of the revaluations was 01 July 2014. Revaluations were performed by an independent valuer, Mr Arthur Lelosa of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the intangible assets being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

The carrying value of the valued assets could not be determined due to a lack of supporting documentation prior to 1 July 2007.

13. Other financial assets

	2017 R	2016 R
Designated at fair value		
Sanlam shares	432 993	403 326
6 682 shares @ R 64.80 trading value (2016: R 60.36)		
At amortised cost		
Heilbron Sanlam policy	411 010	382 977
Policy number - 040571573X1		
FNB deposit - 71037431386	17 743	16 689
Investment serves as guarantee for Saambou Bank and bears interest at 15%		
FNB Parys - 710381146801	49 800	46 599
Investment serves as guarantee for BJ Monyamara and bears interest at 5%		
	478 553	**446 265**
Total other financial assets	**911 546**	**849 591**

	2017 R	2016 R
Non-current assets		
Designated at fair value	432 993	403 326
At amortised cost	478 553	446 265
	911 546	**849 591**

	2017 R	2016 R

13. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

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

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

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

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

	2017 R	2016 R
Level 1		
Class 2 - Listed shares	432 993	403 326

Renegotiated terms

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

14. Other financial liabilities

	2017 R	2016 R
At amortised cost		
DBSA Loan Loan bears interest at 10% annually and penalty interest of 12% annually. Repayments are done on a quarterly basis with last payment due on 30 June 2018.	734 332	3 646 942
Non-current liabilities		
At amortised cost	-	1 465 238
Current liabilities		
At amortised cost	734 332	2 181 704

	2017 R	2016 R

15. Finance lease obligation

	2017 R	2016 R
Minimum lease payments due		
- within one year	336 722	336 722
- in second to fifth year inclusive	42 938	379 661
	379 660	716 383
less: future finance charges	(24 182)	(80 312)
Present value of minimum lease payments	**355 478**	**636 071**
Present value of minimum lease payments due		
- within one year	313 061	280 592
- in second to fifth year inclusive	42 417	355 479
	355 478	**636 071**
Non-current liabilities	42 418	353 745
Current liabilities	313 060	282 326
	355 478	**636 071**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term is 5 years (2016: 5 years) and the average effective borrowing rate is 10% (2016: 10%).

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

16. Payables from exchange transactions

	2017 R	2016 R
Trade payables	966 453 176	653 352 996
Payments received in advanced	22 915 306	26 758 130
Accrued leave pay	14 399 376	14 086 329
Accrued bonus	3 905 025	3 832 302
Deposits received	195 632	194 411
Other payables	310 478	46 130
Salary suspense account	9 478 988	3 125 386
Unallocated receipts	5 182	6 087
Retention	10 629 210	6 205 487
	1 028 292 373	**707 607 258**

17. Consumer deposits

	2017 R	2016 R
Electricity and water - Edenville	73 714	70 881
Electricity and water - Heilbron	1 119 283	1 133 766
Electricity and water - Koppies	275 054	275 054
Electricity and water - Parys	3 308 882	3 404 521
Electricity and water - Tumahole	33 739	33 739
Electricity and water - Vredefort	439 023	449 779
	5 249 695	**5 367 740**

	2017 R	2016 R

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
Department of Mineral and Energy Grant (INEG)	-	393 278
Department of Water and Forestry Grant	-	74 241
Provincial Treasury subsidy (electricity)	75 887	-
Municipal Infrastructure Grant (MIG)	288	16 618
Local Government Finance Management Grant (FMG)	11	13 695
Expanded Public Works Programme (EPWP)	36 628	-
Municipal Systems Improvement Grant (MSIG)	-	10 283
	112 814	**508 115**

Movement during the year

	2017 R	2016 R
Balance at the beginning of the year	508 115	76 179
Additions during the year	236 198 999	267 378 566
Income recognition during the year	(236 594 300)	(266 946 630)
	112 814	**508 115**

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

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Unwinding of the discount	Total
Environmental rehabilitation	213 573 994	(3 926 117)	209 647 877

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	191 279 221	22 294 773	213 573 994

	2017 R	2016 R
Non-current liabilities	104 844 712	114 645 270
Current liabilities	104 803 165	98 928 724
	209 647 877	**213 573 994**

	2017 R	2016 R

19. Provisions (continued)

Environmental rehabilitation provision

The purpose of this provision is to determine the closure costs for the waste disposal sites in the Ngwathe Municipal area. The sites under consideration are the Edenville, Heilbron, Koppies, Parys and Vredefort disposal sites.

South African solid waste legislation has been going through a thorough metamorphosis during the past few years and continues to do so, affecting all aspects of solid waste management through this process. Almost all aspects of the waste life cycle have been addressed and, more to the point of this report, the issue of landfill designs. New base liner designs for different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at the time. There were however recent suggestions by the Department of Water and Sanitation (DWS) in a Record of Decision issued to D:EA for the licence applications for the closure of 192 landfill facilities under the National Outcome 10 Project.

However, the Minimum Requirements was used in the past as guideline for the design of the capping layers as well as the capacity of the storm water drainage system and to subsequently calculate rehabilitation cost estimates, which was industry standard. The closure and rehabilitation of a landfill involves firstly the application for a closure licence during which a Basic Assessment and specialist studies are conducted specific to the landfill in question. From this application, it becomes clear as to the specific requirements to properly rehabilitate the landfill and render it environmentally suitable to its proposed enduse. If a landfill was issued with an operating permit/licence, a closure design would have been proposed before the issuing of the permit, only now requiring modification (if necessary) rather than a new design.

However, with most landfills being unlicensed/unpermitted, no designs have been done or approved. Historically, a rehabilitation engineering design which included the proposed capping layers was then presented to DWA (now DWS) for approval. After obtaining approval, the landfill was rehabilitated according to the approved design. No closure licences which stipulate capping designs have been issued to date for the Ngwathe Municipality. The closure cost estimates of this provision have therefore been based on the proposed requirements for capping layers by DWS which are similar to stipulated requirements in recently issued closure licences in other Municipalities.

Disposal site 2016	Opening balance	Movement	Closing balance
Edenville	14 648 564	154 353	14 802 917
Heilbron	57 444 808	(161 420)	57 283 388
Koppies	5 439 603	14 749 452	20 189 055
Parys	91 513 490	2 942 725	94 456 215
Vredefort	22 232 756	4 609 663	26 842 419
	191 279 221	**22 294 773**	**213 573 994**

Disposal site 2017	**Opening balance**	**Discounting**	**Movement due to changes in the net discount rate**	**Closing balance**
Edenville	14 802 917	-	837 875	15 640 792
Heilbron	57 283 388	-	3 487 140	60 770 528
Koppies	20 189 055	(320 512)	(354 449)	19 514 094
Parys	94 456 215	(2 348 642)	(6 776 954)	85 330 619
Vredefort	26 842 419	-	1 549 425	28 391 844
	213 573 994	**(2 669 154)**	**(1 256 963)**	**209 647 877**

Notes to the Annual Financial Statements

	2017 R	2016 R

20. Employee benefit obligations

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

	2017 R	2016 R
Carrying value		
Present value of the post employment medical aid benefit	(42 613 000)	(40 236 000)
Present value of the long service award benefit	(12 752 000)	(14 089 000)
	(55 365 000)	**(54 325 000)**
Non-current liabilities	(51 811 000)	(51 129 000)
Current liabilities	(3 554 000)	(3 196 000)
	(55 365 000)	**(54 325 000)**

Net expense recognised in the statement of financial performance

	2017 R	2016 R
Current service cost	3 125 000	3 066 000
Interest cost	5 162 000	4 643 000
Actuarial (gains) losses	(4 236 000)	44 000
	4 051 000	**7 753 000**

Post-employment medical aid benefit

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:
(a) All existing continuation members (pensioners) and their dependants will continue to receive a 60% subsidy to the aximum (CAP) amount of R3,942.00 (per month per member) for the period 1 July 2017 to 30 June 2018. The maximum (CAP) amount was R3 871 for the period 1 July 2016 to 30 June 2017.
(b) Any future pensioners and their dependants will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R 3,942 (per month per member) for the period from 1 July 2017 to 30 June 2018.

	2017 R	2016 R
Changes in the present value of the post-employment medical aid benefit		
Opening balance	40 236 000	36 470 000
Benefits paid	(2 018 155)	(1 583 000)
Net expenses recognised in the statement of financial performance	4 395 155	5 349 000
	42 613 000	**40 236 000**

	2017 R	2016 R
Net expense of the post-employment medical aid benefit recognised in the statement of financial performance		
Current service cost	1 504 000	1 396 000
Interest cost	3 982 000	3 611 000
Actuarial (gain)/loss	(1 090 845)	342 000
	4 395 155	**5 349 000**

Notes to the Annual Financial Statements

	2017 R	2016 R

20. Employee benefit obligations (continued)

Key assumptions		
Medical aid contribution inflation	CPI+1%	8.64%

Discount rate:

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

We used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical aid inflation:

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouse and dependants:

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

The assumption was made that continuation of post-employment health care subsidy would be at 100% of active employees, or their surviving dependan**ts**.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effects on the post-employment medical aid benefit obligations	43 831 000	40 963 000
Effects on interest cost	4 460 000	4 161 000
Effects on service cost	1 865 000	1 731 000

Long service award

	2017 R	2016 R

20. Employee benefit obligations (continued)

The municipality offers long service awards for every 5 years of completed service from 5 to 45 years to their employees.

The following table illustrates the qualifying criteria:

Completed service (years)	Long service bonus award	Determination of cash bonus
5	5 days accumulative leave + 2% of annual salary	(5/250 + 2/100) x annual salary
10	10 days accumulative leave + 3% of annual salary	(10/250 + 3/100) x annual salary
15	15 days accumulative leave + 4% of annual salary	(15/250 + 4/100) x annual salary
20	15 days accumulative leave + 5% of annual salary	(15/250 + 5/100) x annual salary
25, 30, 35, 40, 45	15 days accumulative leave + 6% of annual salary	(15/250 + 6/100) x annual salary

	2017	2016
Changes in the present value of the long service award		
Opening balance	14 089 000	12 887 000
Benefits paid	(1 180 000)	(1 202 000)
Net expenses recognised in the statement of financial performance	(157 000)	2 404 000
	12 752 000	**14 089 000**

	2017	2016
Net expense of the long service award benefit recognised in the statement of financial performance		
Current service cost	1 621 000	1 670 000
Interest cost	1 180 000	1 032 000
Actuarial (gain)/loss	(2 958 000)	(298 000)
	(157 000)	**2 404 000**

Notes to the Annual Financial Statements

	2017 R	2016 R

20. Employee benefit obligations (continued)

Key assumptions

Discount rate	Yield Curve	8.8%
Consumer price inflation	Difference between nominal and real yield curve	6.51%
Normal salary increase rate	Equal to CPI+1%	7.51%
Net effective discount rate	Yield Curve Based	1.2%

Discount rate:

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

For 2016 the rate was set as the yield of the R208 South African government bond as at the valuation date. The actual yield don the R208 bond was sourced from the RMB Global Markets' website on year end. For 2017 we use the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.
.
Normal salary inflation:

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2017 of 7.36%. The next salary increase was assumed to take place on 01 July 2018.

Average retirement rate:

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

Normal retirement age:

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

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

Withdrawal decreasements:

The following table sets out the assumed rates of withdrawal from service:

Age band	Withdrawal rates males	Withdrawal rates females
20 years	16.00 %	24.00 %
25 years	12.00 %	18.00 %

	2017 R	2016 R

20. Employee benefit obligations (continued)

30 years	10.00 %	15.00 %
35 years	8.00 %	10.00 %
40 years	6.00 %	6.00 %
45 years	4.00 %	4.00 %
50 years	2.00 %	2.00 %
55 years	1.00 %	1.00 %

Sensitivity analysis - normal salary inflation

The cost of the long service awards is dependant on the increase in the annual salaries paid to the employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

30 June 2017
A one percentage point change in assumed normal salary inflation trends would have the following effects:

	One percentage point increase	One percentage point decrease
Effects on the total accrued liability	11 982 000	13 602 000
Effects on current service cost	1 311 000	1 502 000
Effects on interest cost	1 228 000	1 403 000
	14 521 000	**16 507 000**

21. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	432 993	478 553	911 546
Receivables from exchange transactions	-	68 897 896	68 897 896
Receivables from non exchange transactions	-	19 591 247	19 591 247
Cash and cash equivalents	-	3 780 791	3 780 791
Sundry receivables	-	10 675 864	10 675 864
	432 993	**103 424 351**	**103 857 344**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	355 478	355 478
Payables from exchange transactions	1 028 292 373	1 028 292 373
Consumer deposits	5 249 695	5 249 695
Other financial liabilities	734 332	734 332
	1 034 631 878	**1 034 631 878**

2016

Financial assets

Notes to the Annual Financial Statements

		2017 R	2016 R

. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Other financial assets	403 326	446 265	849 591
Receivables from exchange transactions	-	46 385 682	46 385 682
Receivables from non exchange transactions	-	16 196 257	16 196 257
Cash and cash equivalents	-	8 443 765	8 443 765
Sundry receivables	-	5 901 733	5 901 733
	403 326	**77 373 702**	**77 777 028**

Financial liabilities

	At amortised cost	Total
Consumer deposits	5 367 740	5 367 740
Finance lease obligation	636 071	636 071
Other financial liabilities	3 646 942	3 646 942
Payables from exchange transactions	707 607 258	707 607 258
Unspent conditional grants and receipts	508 115	508 115
	717 766 126	**717 766 126**

22. Service charges

	2017 R	2016 R
Sale of electricity	146 091 861	134 407 316
Sale of water	56 810 628	51 684 863
Sewerage and sanitation charges	31 245 683	29 082 401
Refuse removal	27 771 266	25 989 839
	261 919 438	**241 164 419**

23. Rental of facilities and equipment

	2017 R	2016 R
Premises		
Premises	1 252 115	766 066
Airport hire	16 614	17 219
Venue hire	9 051	14 335
Camps	4 710	26 045
Buildings and housing	167 945	182 139
	1 450 435	**1 005 804**
Facilities and equipment		
Rental of equipment	1 128	2 952
	1 451 563	**1 008 756**

24. Other revenue

	2017 R	2016 R
Other income - (rollup)	1 921 542	1 695 828

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Other income		
Administration fees	1 139	104
Building plans and inspections	141 745	111 261
Clearance certificates	86 920	89 670
Grave plots	630 455	654 429
Reconnection / connection fees	251 807	208 355
Sale of land	61 708	356 162
Sundry income	675 914	165 234
Tender deposits	71 854	110 613
	1 921 542	**1 695 828**
26. Investment revenue		
Dividend revenue	-	1 860
Interest revenue		
Other financial asset	1 522 469	1 998 414
Interest charged on trade and other receivables	43 596 920	33 865 480
	45 119 389	**35 863 894**
	45 119 389	**35 865 754**
27. Property rates		
Rates received		
Residential	119 301 653	101 632 955
Less: Income forgone	(42 504 550)	(37 152 110)
	76 797 103	**64 480 845**
Valuations		
Agriculture	3 421 386 382	3 566 188 783
Buiness	499 478 335	208 398 481
Churches	85 100 440	72 958 510
Government	337 986 081	313 873 729
Industrial	38 686 500	26 625 300
Municipal	27 806 260	211 201 180
Other	99 000	840 000
Public Service Infrastructure	23 761 520	5 571 720
Residents	4 268 504 359	4 196 249 859
Schools	39 153 850	48 217 050
Small Business	-	9 889 100
Undeveloped land	130 030 971	12 602 051
	8 871 993 698	**8 672 615 763**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The effective date of the valuation was 01 July 2014. The valuations were performed by an independent valuer, Mr Arthur Lelosa, of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the investment property being valued

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

Notes to the Annual Financial Statements

	2017 R	2016 R

28. Fines, penalties and forfeits

Fines - tampered meters	1 015 179	481 481
Fines - traffic	323 732	281 144
	1 338 911	**762 625**

29. Government grants and subsidies

Operating grants		
Equitable share	157 638 874	186 904 000
Local Government Finance Management Grant (FMG)	1 809 989	1 661 305
LGSETA Grant	-	215 522
Provincial Treasury subsidy (electricity)	4 924 113	-
Provincial Treasury subsidy (sewerage)	6 100 000	-
Cooperative Governnance and traditional affairs subsidy (operational expenditure)	3 086 000	-
Provincial Treasury subsidy (water and audit fees)	-	1 273 724
	173 558 976	**190 054 551**
Capital grants		
Municipal Systems Improvement Grant (MSIG)	-	919 717
Expanded Public Works Programme (EPWP)	1 041 372	1 097 000
Department of Mineral and Energy Grant (INEG)	9 850 000	2 682 900
Municipal Infrastructure Grant (MIG)	52 069 711	40 620 382
Department of Water and Forestry Grant	74 241	21 572 079
Subsidy received from Provincial Treasury	-	10 000 000
	63 035 324	**76 892 078**
	236 594 300	**266 946 629**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	78 955 426	80 042 629
Unconditional grants received	157 638 874	186 904 000
	236 594 300	**266 946 629**

Equitable Share

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

Current year receipts	157 638 874	186 904 000
Conditions met - transfer to revenue	(157 638 874)	(186 904 000)
	-	**-**

	2017 R	2016 R

29. Government grants and subsidies (continued)

Department of Mineral and Energy Grant (INEG)

Balance unspent at beginning of year	393 278	76 178
Current-year receipts	9 850 000	3 000 000
Conditions met - transferred to revenue	(9 850 000)	(2 682 900)
Grant witheld	(393 278)	-
	-	**393 278**

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

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Department of Water and Forestry Grant

Balance unspent at beginning of year	74 241	-
Current-year receipts	-	21 646 320
Conditions met - transferred to revenue	(74 241)	(21 572 079)
	-	**74 241**

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

The grant is used to subsidise, refurbish and restore the functionality of water services schemes previously owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Municipal infrastructure Grant (MIG)

Balance unspent at beginning of year	16 618	-
Current-year receipts	52 070 000	40 637 000
Conditions met - transferred to revenue	(52 069 712)	(40 620 382)
Grant witheld	(16 618)	-
	288	**16 618**

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

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

LGSETA Grant

Current-year receipts	-	215 522
Conditions met - transferred to revenue	-	(215 522)
	-	**-**

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

	2017 R	2016 R

29. Government grants and subsidies (continued)

Local Government Finance Management Grant (FMG)

Balance unspent at beginning of year	13 695	-
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 809 989)	(1 661 305)
Grant witheld	(13 695)	-
	11	**13 695**

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

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 078 000	1 097 000
Conditions met - transferred to revenue	(1 041 372)	(1 097 000)
	36 628	**-**

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

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	10 283	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(919 717)
Grant witheld	(10 283)	-
	-	**10 283**

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

The grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislations.

Provincial Treasury subsidy (water and audit fees)

Current-year receipts	-	11 273 724
Conditions met - transferred to revenue (operating)	-	(1 273 724)
Conditions met - transferred to revenue (capital)	-	(10 000 000)
	-	**-**

Provincial Treasury paid on behalf of Ngwathe for the intallation of water meters (capital) and also for a part of their audit fees owing to the Auditor General.

Notes to the Annual Financial Statements

	2017 R	2016 R

29. **Government grants and subsidies (continued)**

Provincial Treasury subsidy (electricity)

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 924 113)	-
	75 887	**-**

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

This grant relates to a subsidy for the purchase and installation of electricity meters.

Cooperative Governance and Traditional Affairs (operational)

Current-year receipts	3 086 000	-
Conditions met - transferred to revenue	(3 086 000)	-
	-	**-**

This grants relate to a subsidy for the payment of accounting consulting fees.

Provincial Treasury subsidy (sewerage)

Current-year receipts	6 100 000	-
Conditions met - transferred to revenue	(6 100 000)	-
	-	**-**

This grants relate to a subsidy for the payment of maintenance cost relating to the sewerage plant.

	2017 R	2016 R

30. Employee related costs

Basic	102 986 615	101 769 653
Bonus	9 101 978	7 621 109
Medical aid - company contributions	9 480 281	7 174 884
Unemployment insurance fund (UIF)	1 266 019	1 220 027
Other payroll levies	1 550 336	1 528 467
Leave pay provision charge	915 169	2 146 605
Service cost - employee benefits	3 125 000	3 066 000
Overtime payments	19 664 409	17 665 541
Pension fund contributions	18 227 485	18 040 282
Car allowance	4 919 963	4 540 347
Housing benefits and allowances	364 730	381 454
Other allowances	13 773 297	14 950 630
Group life insurance	1 388 434	1 355 275
	186 763 716	**181 460 274**

Remuneration of Municipal Manager (Kannemeyer BW)

Annual remuneration	301 510	-
Allowance	140 778	-
Contributions to UIF, medical and pension funds	4 736	-
	447 024	**-**

Mr BW Kannemeyer has been appointed as Municipal Manager from March 2017.

Remuneration of Municipal Manager (Kamolane LD)

Annual remuneration	-	401 177
Allowance	-	171 683
Contributions to UIF, medical and pension funds	-	62 740
	-	**635 600**

Remuneration of Chief Finance Officer (Samyala N)

Annual remuneration	744 522	665 408
Allowance	210 433	143 147
Contributions to UIF, medical and pension funds	10 913	9 435
	965 868	**817 990**

Remuneration of Chief Finance Officer (Mkhuma TG)

Annual remuneration	-	46 326
Allowance	-	13 596
Contributions to UIF, medical and pension funds	-	10 059
	-	**69 981**

Mrs Mkhuma acted for one month in 2016 financial year as Chief Financial Officer.

Remuneration Director Technical Services (Shabalala NE)

Annual remuneration	730 278	695 852
Allowance	224 705	198 742
Contributions to UIF, medical and pension funds	10 885	10 333
	965 868	**904 927**

	2017 R	2016 R

30. Employee related costs (continued)

Remuneration of Director Community Services (Netshivhodza AB)

Annual remuneration	586 497	560 200
Allowance	318 766	287 756
Contributions to UIF, medical and pension funds	60 074	63 344
	965 337	**911 300**

Remuneration of Acting Director Corporate Services (Majivolo ZJ)

Annual remuneration	499 531	431 319
Car allowance	83 518	83 158
Contributions to UIF, medical and pension funds	128 112	92 887
	711 161	**607 364**

Mr Majivolo has been acting as Director Corporate Services from November 2016 to February 2017.

Remuneration of Director Corporate Services (Tsekedi PS)

Annual remuneration	823 649	151 509
Car allowance	211 490	36 449
Contributions to UIF, medical and pension funds	232 778	45 803
	1 267 917	**233 761**

Notes to the Annual Financial Statements

	2017 R	2016 R

31. Remuneration of councillors

Executive Major	812 551	813 163
Mayoral Committee Members	2 203 754	2 097 999
Speaker	623 610	650 900
Councillors	7 803 480	7 916 579
	11 443 395	**11 478 641**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cellphone and secretarial support at the cost of the Council.

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

The Mayor has one full-time bodyguards.

Salaries, allowances and benfits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

31. Remuneration of councillors (continued)

Councillors 30 June 2017	Annual remuneration and backpay	Allowances	Company contributions	Total
Mochela MJ	594 132	207 278	11 140	812 550
Mopedi NP	482 846	132 998	7 766	623 610
Mbele MA	187 651	82 252	3 355	273 258
Mmusi M	214 484	87 377	-	301 861
Mofokeng MM	203 960	79 190	3 355	286 505
Mofokeng ML	251 059	82 211	3 796	337 066
Ndayi PR	294 746	98 954	7 132	400 832
Serathi M	262 223	84 583	4 693	351 499
Sotshiva LP	183 679	69 052	-	252 731
Choni SP	24 090	9 484	1 807	35 381
De Beer VE	191 256	81 159	-	272 415
De Jager AJ	30 558	12 959	-	43 517
De Jager SHF	191 468	80 947	-	272 415
Ferendale RS	191 468	80 947	-	272 415
Fieland H	170 434	69 052	-	239 486
Gobidolo M	170 434	69 052	-	239 486
Hlapane ML	30 558	12 859	-	43 417
Kgantse R	170 433	69 052	-	239 485
Khumalo JK	25 529	13 248	-	38 777
La Cock PJ	170 434	69 052	-	239 486
Mabena JS	170 434	69 052	-	239 486
Magashule IM	170 434	69 052	-	239 486
Mandelstam G	41 180	17 065	-	58 245
Masooa MJ	24 090	9 484	1 807	35 381
Matroos AH	170 434	69 052	-	239 486
Mehlo LR	190 363	79 541	3 355	273 259
Miyen M	170 434	69 052	-	239 486
Modiko DV	24 090	9 483	1 807	35 380
Mofokeng MD	191 468	80 947	-	272 415
Molaphene PM	183 560	80 947	-	264 507
Molotsane RJ	24 090	9 483	1 807	35 380
Motebele R	170 434	69 052	-	239 486
Motsumi ME	23 935	10 153	-	34 088
Mthimkulu S	30 558	12 959	-	43 517
Mvulane L	182 067	87 837	3 355	273 259
Ndlovu NA	30 083	12 022	2 256	44 361
Nteo S	170 434	69 052	-	239 486
Oliphant SAM	24 090	9 483	1 807	35 380
Radebe DM	30 083	11 922	2 256	44 261
Radebe S	170 433	69 052	-	239 485
Ramabista IM	30 083	12 022	2 256	44 361
Ranthako MC	24 090	9 483	1 807	35 380
Rapuleng MD	170 433	69 052	-	239 485
Scholtz F	30 558	12 959	-	43 517
Schoonwinkel A	237 084	84 937	17 781	339 802
Sehume A	191 468	80 947	-	272 415
Serfontein C	260 971	77 591	-	338 562
Sothoane EC	23 935	10 153	-	34 088
Swart AP	30 558	12 959	-	43 517
Taje M	170 433	69 052	-	239 485
Toyi MS	170 433	69 052	-	239 485
Thene LBS	170 433	69 052	-	239 485
Tlali LL	24 090	9 483	1 807	35 380
Van Der Merwe PP	193 268	80 947	-	274 215
Vandisi TL	31 859	14 093	2 389	48 341

	2017 R	2016 R

31. Remuneration of councillors (continued)

Vermaak SM	185 952	73 953	13 946	273 851
	8 179 784	**3 162 131**	**101 480**	**11 443 395**

Councillors 30 June 2016	Annual remuneration and backpay	Allowances	Company contributions	Total
Mochela MJ	600 638	168 959	43 566	813 163
Ndayi PR	437 702	181 556	31 642	650 900
Mandelstam G	264 288	86 381	-	350 669
Mopedi NP	252 357	78 699	18 259	349 315
Schoonwinkel A	252 357	78 099	18 259	348 715
Serathi M	252 357	78 699	18 259	349 315
Vandisi TL	252 396	78 657	18 263	349 316
Bocibo CN	53 704	22 274	4 028	80 006
Choni SP	180 821	66 821	13 077	260 719
De Beer VE	183 049	78 655	-	261 704
De Jager AJ	183 349	78 355	-	261 704
De Jager SHF	111 797	52 237	-	164 034
Ferendale RS	128 233	52 237	-	180 470
Hlapane ML	183 349	78 355	-	261 704
Khumalo JK	183 349	78 355	-	261 704
Masooa MJ	180 821	66 821	13 077	260 719
Mbele MA	180 821	66 821	13 077	260 719
Mehlo LR	180 821	66 821	13 077	260 719
Modiko DV	180 821	66 821	13 077	260 719
Mofokeng MD	182 541	78 156	-	260 697
Mofokeng ML	180 821	66 821	13 077	260 719
Mofokeng MM	180 821	66 821	13 077	260 719
Molaphene PM	183 349	78 355	-	261 704
Molotsane RJ	180 821	66 821	13 077	260 719
Motsumi ME	183 349	78 355	-	261 704
Mthimkulu S	61 116	26 118	-	87 234
Mvulane L	180 817	66 826	13 076	260 719
Ndlovu NA	180 821	66 821	13 077	260 719
Oliphant AM	180 821	66 821	13 077	260 719
Radebe DM	180 821	66 821	13 077	260 719
Ramabitsa IM	180 821	66 821	13 077	260 719
Ranthako MC	180 821	66 821	13 077	260 719
Roos J	26 944	13 059	-	40 003
Scholtz F	183 349	78 355	-	261 704
Seabi IS	26 944	13 059	-	40 003
Sehumi NA	183 349	78 355	-	261 704
Serfontein C	271 361	79 308	-	350 669
Sothoane EC	183 349	78 355	-	261 704
Spence DI	13 472	6 529	-	20 001
Swart AP	183 349	78 355	-	261 704
Tlali LL	180 821	66 821	13 077	260 719
Van der Merwe PP	183 349	72 237	-	255 586
Vermaak SM	180 821	66 821	13 077	260 719
	8 097 878	**3 019 255**	**361 507**	**11 478 640**

32. Depreciation and amortisation

	2017 R	2016 R
Property, plant and equipment	65 775 720	62 790 113
Intangible assets	459 102	-
	66 234 822	**62 790 113**

Notes to the Annual Financial Statements

	2017 R	2016 R

33. Finance costs

Trade and other payables	101 391 913	71 200 487
Finance leases	55 930	79 907
Other financial liabilities	287 390	542 935
Late payment of tax	2 351 790	3 052 004
Employee benefits	2 492 846	4 643 000
	106 579 869	**79 518 333**

34. Debt impairment

Debt impairment	(55 953 470)	91 211 379

The recoverable amount of trade and other receivables was calculated on a individual basis per receivable based on past payment trents and individual risk categories. The difference between the recoverable amount and the gross balance per receivable was impaired for.

35. Repairs and maintenance

Repairs		
Repairs	25 643 238	10 048 009

36. Bulk purchases

Electricity	177 741 598	156 118 013
Water	34 394 863	25 401 857
	212 136 461	**181 519 870**

37. Contracted services

Security services	1 919 505	1 360 105

Notes to the Annual Financial Statements

	2017 R	2016 R

38. General expenses

Accomodation cost	1 384 196	601 599
Advertising	714 664	646 277
Auditors remuneration	4 975 074	3 198 613
Bank charges	1 317 190	1 148 441
Bursaries	957 071	515 422
Chemicals	6 125 119	8 904 137
Cleaning	969 384	398 379
Commission paid	5 494 327	5 556 444
Consulting and professional fees	10 154 477	9 606 280
Donations	215 000	165 000
EPWP expenditure	1 035 655	1 096 573
Employee wellness	1 750	7 749
Entertainment	744 329	470 639
Financial systems (BCX)	3 312 297	203 261
Fuel and oil	2 619 325	2 815 947
Hire	6 526 951	2 524 414
Insurance	4 833 241	3 506 924
Lease rentals on operating lease	6 785 541	7 064 906
Legal fees	12 072 962	4 290 568
Licenses	14 411	238 512
Organisational development strategy	269 260	286 508
Other expenses	5 137 733	5 227 383
Postage and courier	2 507 155	1 316 784
Printing and stationery	2 538 051	1 781 079
Project management unit expenditure	2 016 066	2 002 950
Protective clothing	462 478	87 572
Rehabilitation cost - landfill site	(1 256 964)	22 294 774
Rent - plant and vehicles	4 735 779	3 791 756
Software expenses	1 038 364	150 292
Subscriptions and membership fees	1 946 788	2 907 860
Telephone and fax	4 878 649	6 865 483
Training	263 134	980 029
Transport and freight	95 457	-
Travel - local	924 774	741 982
Valuation roll expenses	898 114	513 158
Youth development	1 224 762	1 036 246
	97 932 564	**102 943 941**

39. Fair value adjustments

Investement property	6 074 488	5 757 809
Other financial assets		
• Other financial assets (Designated as at FV through P&L	57 701	(36 036)
	6 132 189	**5 721 773**

40. Auditors' remuneration

Fees	4 975 074	3 198 613

Notes to the Annual Financial Statements

	2017 R	2016 R

41. Cash generated from operations

Deficit	(191 652 221)	(131 675 580)
Adjustments for:		
Depreciation and amortisation	66 234 822	62 790 113
Gain on sale of assets and liabilities	1 123 354	-
Fair value adjustments	(6 132 189)	(5 721 773)
Finance costs on trade payable and employee benefits	103 884 759	75 843 487
Debt impairment	(55 953 470)	91 211 379
Bad debts written off	173 235 102	26 846 582
Movements in retirement benefits and employee provisions	8 287 000	7 709 000
Movements in provisions	(3 926 117)	22 294 773
Actuarial gains / losses	(4 048 845)	44 000
Inventory losses / write-downs	(83 055)	100 962
Interest received on consumer receivables	(43 596 920)	(33 865 480)
Other	(53 875)	-
Changes in working capital:		
Inventories	(106 517)	(170)
Receivables from exchange transactions	(90 663 417)	(28 969 089)
Receivables from non-exchange transactions	(8 928 499)	(15 794 972)
Sundry receivables	(4 774 131)	(4 211 152)
Payables from exchange transactions	167 757 922	76 939 548
VAT	(35 157 105)	(55 270 395)
Unspent conditional grants and receipts	(395 301)	431 936
Consumer deposits	(118 045)	(145 374)
	74 933 252	**88 557 795**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 180 583	63 887 103
Total capital commitments		
Already contracted for but not provided for	29 180 583	63 887 103

Total commitments

Total commitments		
Authorised capital expenditure	29 180 583	63 887 103

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, MIG allocations during the year and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 583 695	1 010 576
- in second to fifth year inclusive	4 209 193	634 385
	6 792 888	**1 644 961**

Operating lease payments represent rentals payable by the municipality for certain of its office and computer equipment and motor vehicles. Leases are negotiated for an average term of 5 years. No contingent rent is payable.

	2017 R	2016 R

43. Contingencies

The municipality has the following contingent liabilities and contingent assets:

The following cases against and for the municipality have been recorded as contingent liabilities and contingent assets as there is uncertainty as to the outcome of the cases. The municipality is defending these cases. The potential legal costs have not been included in the claims.

Court cases

The following cases against and for the municipality have been recorded as contingent liabilities and contingent assets as there is uncertainty as to the outcome of the cases. The municipality is defending these cases. The potential legal costs have not been included in the claims.

SS Janika vs NLM		
Opening balance	60 000	40 000
Adjustment	(60 000)	20 000
	-	**60 000**

Litigation is in the process against the municipality whereby the plaintiff was involved in an vehicle accident with the municipal refuse truck and the complainant was seeking damages to the amount disclosed above.

Matter was concluded during the year and the municipality won the case.

Attorneys: JC Burger Attorneys

Tsekema Consulting & Project Managers vs NLM		
Opening balance	3 007 298	6 419 682
Adjustment	-	(1 651 860)
Payment	(3 007 298)	(1 760 524)
	-	**3 007 298**

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The matter was concluded in the current year.

Attorneys: In-house

J Sekgalolo vs NLM		
Opening balance	2 013 580	2 013 580
Payment	(2 013 580)	-
	-	**2 013 580**

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The matter was concluded in the current year.

Attorneys: Mpoloane Attorneys

Latlonkana Marumo vs NLM		
Opening balance	163 818	163 818
Adjustment	(83 818)	-
Payment	(80 000)	-
	-	**163 818**

	2017 R	2016 R

43. Contingencies (continued)

Litigation is in the process against the municipality for failure to adhere to collective agreement in paying acting allowance to the amount disclosed above.

The matter was settled during the year.

Attorney: Morris Rasegoete Attorneys

Nashua Communications vs NLM

	2017	2016
Opening balance	521 380	521 380
Payment	(521 380)	-
	-	**521 380**

Litigation is in the process against the municipality relating to outstanding payments and the complainant is seeking damages to the amount disclosed above.

The matter was conculded during the year.

Attorney: Moroka Attorneys

Sedgars vs NLM

	2017	2016
Opening balance	12 000	139 204
Adjustment	-	(127 204)
Write off	(12 000)	-
	-	**12 000**

Litigation is in the process against the municipality relating to damages caused to movable properties due to power outage and the complainant is seeking damages to the amount disclosed above.

The matter was concluded during the year and the municipality negotiated a write-off.

Attorney: Steyn Lyell & Maeyane Attorney

GH Manoto vs NLM

	2017	2016
Opening balance	32 000	32 000
Adjustment	148 000	-
	180 000	**32 000**

Litigation is in the process against the municipality relating to damages caused to a house and furniture due to a burst water pipe and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as not likely.

Attorney: In-house

Busisiwe Mtimkulu vs NLM

	2017	2016
Opening balance	2 715	2 715
Adjustment	(2 715)	-
	-	**2 715**

Litigation is in the process against the municipality relating to unfair dismissals and the complainants are seeking damages to the amount disclosed above.

The matter was concluded during the year and the municipality won the case.

	2017 R	2016 R

43. Contingencies (continued)

Attorneys: JC Burger

SAMWU obo Hlapane vs NLM

Opening balance	400 000	400 000

Litigation is in the process against the municipality relating to the interpretation and application of the collective agreement and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as not likely.

Attorneys: ADW van den Berg Attorneys

Telkom vs NLM

Opening balance	7 238	20 427
Adjustment	-	6 987
Payment	(7 238)	(20 176)
	-	**7 238**

Litigation is in the process against the municipality relating to damages caused to Telkom infrastructure and the complainant is seeking damages to the amount disclosed above.

The matter was concluded during the year.

Attorneys: ADW van den Berg Attorneys

Ensemble Trading 2053 CC vs NLM

Opening balance	150 000	150 000
Adjustment	300 000	-
	450 000	**150 000**

Litigation is in the process against the municipality for storage costs not being paid and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as not likely.

Attorney: In-house

Rankakhakile Jona Mohohlo vs NLM

Opening balance	16 994	16 994
Payment	(16 994)	-
	-	**16 994**

Litigation is in the process against the municipality for damages caused to vehicle due to potholes and the complainant is seeking damages to the amount disclosed above.

The matter was concluded during the year.

Attorneys: Du Toit Mandelstam Incorporated

Sibongile Community Trust vs NLM

Opening balance	50 000	50 000
Adjustment	(50 000)	-
	-	**50 000**

	2017 R	2016 R

43. Contingencies (continued)

Civil Letigation, The plantiff withdrew the case.

Attorneys:JC Burger Attorneys

Cornelius Henry Harris vs NLM		
Opening balance	40 000	40 000
Payment	(40 000)	-
	-	**40 000**

Public liability claim. Damages motor cycle due to porthole and plaintiff is claiming damages occured.

The matter was concluded during the year.

Attorneys:JC Burger Attorney

Dispute municipal account		
Various plantiffs	-	-

Negotiations are currently in progress with plantiffs disputing municipal accounts. The municipality's lawyers and management is not able to reasonabily estimate the potential liability. It is estimated that the cases should be resolved in the next two years.

Supplier account disputes		
C-Sonke	-	-
Dagne Trading and Projects	-	-
Nqaba Engineeting & Infrastructures	-	-
Sadieo Projects Pty Ltd	-	-
SITA Pty Ltd	-	-
Blackbird Trading	-	-
	-	**-**

With regards to the creditors listed above. There are some disputed invoices which have not been included in creditors on the financial statements. When the disputes have been resolved the creditors could be increased.

Contingent assets

NLM vs TJ Mokoena		
Opening balance	125 000	125 000

Litigation is in the process against Mr TJ Mokoena relating to unlawful, irregular and wasteful expenditure incurred on behalf of Ngwathe Local Municipality.

The municipality's lawyers and management consider the likelihood of the action against Mr TJ Mokoena being successful as likely.

Attorneys: Lebea & Associates

Notes to the Annual Financial Statements

	2017 R	2016 R

44. Related parties

Relationships	
Members of key management	Refer to note 30
Members of council	Refer to note 31

No related party transactions were identified by management.

Key management and Councillors receive and pay for service on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2016

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		735 784 355	4 993 701	740 778 056
Employee benefit obligation - current liabilities		(3 361 000)	165 000	(3 196 000)
Employee benefit obligation - non-current liabilities		(77 160 000)	26 031 000	(51 129 000)
Accumulated surplus - 1 July 2015		(81 940 343)	(71 418 264)	(153 358 607)
Other receivables		1 374 396	4 527 337	5 901 733
Receivables from non-exchange transactions		17 758 544	1 562 288	19 320 832
Receivables from exchange transactions		44 823 394	(1 562 288)	43 261 106
VAT Receivable		30 708 404	45 862 117	76 570 521
Accumulated surplus deficit for the year		141 836 470	(10 160 891)	131 675 579
		809 824 220	**-**	**809 824 220**

Statement of finanical performance

2016

	Note	As previously reported	Correction of error	Restated
Employee related costs		183 643 274	(2 183 000)	181 460 274
Acturial losses		2 489 000	(2 445 000)	44 000
Finance costs		81 100 334	(1 582 000)	79 518 334
Depreciation and amortisation		60 763 037	2 027 076	62 790 113
Service charges		(232 788 542)	(8 375 877)	(241 164 419)
Debt impairment		120 159 057	(2 101 096)	118 057 961
General expenditure		98 444 936	4 499 006	102 943 942
Surplus for the year		**313 811 096**	**(10 160 891)**	**303 650 205**

46. Prior period errors

Post retirement medical aid liability

The 2016 actuarial valuation for the post-retirement medical aid liability was re-performed in order to take into account the cap that is placed on the municipality's contribution to the pensioners medical aid and to ensure that the method and assumptions for 2016 and 2017 are alligend. This cap is in line with the policy as well as the practices of the municipality. The comparative statements for 2015/2016 have been restated. The effect of the restatement is summarised below.

Notes to the Annual Financial Statements

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46. Prior period errors (continued)

Statement of financial position

Decrease in Employee benefit obligation - current liabilities	165 000
Decrease in Employee benefit obligation - non-current liabilities	26 031 000
Increase in Accumulated surplus - 1 July 2015	(19 986 000)
	6 210 000

Statement of financial performance

Decrease in Employee related cost	(2 183 000)
Decrease in Finance costs	(1 582 000)
Increase in Actuarial gain	(2 445 000)
	(6 210 000)

Movable assets

During the preparation of the 2017 movable asset register errors were found where the 2016 asset regsiter and the trail balance did not agree. In addition assets were identified which were not recorded on the asset register, these assets did not relate to 2016 additions. The asset register has been updated to account for these differences and errors. The comparative statements for 2015/2016 have been restated. The effect of the restatement is summarised below:

Statement of financial position

Increase in Property, plant and equipment	79 411
Increase in Accumulated surplus - 1 July 2015	(896 750)
	(817 339)

Statement of financial performance

Increase in Depreciation	817 339

Infrastructure assets

During the preparation of the 2017 asset register assets were identified which were not recorded on the asset register, these assets did not relate to 2016 additions. The asset register has been updated to account for these differences and errors. The comparative statements for 2015/2016 have been restated. The effect of the restatement is summarised below:

Statement of financial position

Increase in Property, plant and equipment	25 380 477
Increase in accumulated surplus - 1 July 2015	(26 590 214)
	(1 209 737)

Statement of financial performance

Increase in Depreciation	1 209 737

Work-in-progress

During the preparation of the 2017 asset register it was identified that assets were taken on as infrastructure assets in years prior to 2015/2016, however the cost were never transferred out of work-in-progress register. The comparative statements for 2015/2016 have been restated. The effect of the restatement is summarised below:

Statement of financial position

Decrease in Property, plant and equipment	(20 466 187)
Decrease in Accumulated surplus - 1 July 2015	20 466 187
	-

46. Prior period errors (continued)

Disclosure note commitments	
Balance per AFS 30 June 2016	107 775 646
Decrease in commitments	(43 888 543)
	63 887 103

Two projects were included in commitments with budged value to with contracted value.

Disclosure note commitments	
Balance per AFS 30 June 2016	107 775 646
Decrease in commitments	(43 888 543)
	63 887 103

Interest on receivables were included in property rates votes.

Statement of financial position	
Increase in receivables from exchange transactions	103 084 443
Increase in provision for bad debts	(101 522 155)
Decrease in receivables from non exchange transations	(103 084 443)
Decrease in provision for bad debts	101 522 155
	-

During the 2014/2015 and 2015/2016 financial year management recognised VAT on provision for impairment though income statement

Statement of financial position	
Increase in VAT control account	46 482 974
Increase in accumulated surplus	(44 381 878)
	2 101 096

Statement of financial performance	
Decrease in provision for impairment	(2 101 096)

Sale of prepaid electricity and commision were not accounted for as at 30 June 2016

Statement of financial position	
Increase in sundry debtors	4 489 469
Increase VAT output	(612 598)
	3 876 871

Statement of financial performance	
Increase in commission paid	4 499 006
Increase in prepaid elecricity	(8 375 877)
	(3 876 871)

47. Risk management

Financial risk management

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

47. Risk management (continued)

Liquidity risk

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

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	5 249 695	-	-	-
Finance lease obligation	313 060	42 418	-	-
Other financial liabilities	734 332	-	-	-
Paybles from exchange transactions	1 028 292 373	-	-	-
Unspent conditional grants and receipts	112 814	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 181 704	1 465 238	-	-
Payables from exchange transactions	707 607 258	-	-	-
Unspent conditional grants and receipts	508 116	-	-	-
Consumer deposits	5 367 740	-	-	-
Finance lease obligation	282 326	353 745	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2017	2016
Receivables from exchange transactions	68 897 896	46 385 682
Receivables from non-exchange transactions	19 591 247	16 196 257
Cash and cash equivalents	3 780 791	8 443 765
Other financial assets	911 546	849 591

Market risk

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. .

48. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had incurred a net loss of R (191 652 221) and that the municipality's total current liabilities exceeded its total current assets by R 927 740 342.

The municipality is experience some financial dificulties, indicators are as follows:
- suppliers are not paid within the legislative 30 days;
- employee benefit obligations are unfunded;

48. Going concern (continued)

- high levels of electricity distribution losses;
- slow collection and low recoverability of outstanding consumer accounts; and
- unfavorable financial ratios.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act No3 of 2017.

49. Events after the reporting date

Management is not aware of any events that happended after the reporting date that requires disclosure.

50. Unauthorised expenditure

Opening balance	316 434 915	139 339 772
Incurred during the current year	79 673 244	177 095 143
	396 108 159	**316 434 915**

51. Fruitless and wasteful expenditure

Opening balance	74 252 491	-
Incurred in the current year	103 497 839	74 252 491
	177 750 330	**74 252 491**

Details of fruitless and wasteful expenditure incurred in the current year		
ABSA bank (Interest)	54 464	126
Auditor General of South Africa (AGSA) (Interest)	20 871	125 460
Department of Water Affairs (DWA) (Interest)	446 366	4 690 349
ESKOM (Interest)	100 355 478	66 203 927
National funds for municipal workers (Interest)	-	7 492
OFS pension fund (Interest)	690	2 808
Rand water (Interest)	223 129	86 211
SALA pension fund (Interest)	7 417	14 297
SAMWU provident fund (Interest)	10 924	26 378
SARS - EMP (Interest and penalties)	2 039 258	2 773 300
SARS - VAT (Interest and penalties)	312 532	278 704
TELKOM (Interest)	26 710	43 439
	103 497 839	**74 252 491**

52. Irregular expenditure

Opening balance	65 687 569	5 487 221
Add: Irregular expenditure - current year	102 412 393	60 200 348
Add: Irregular expenditure prior year 2015/2016	8 209 112	-
	176 309 074	**65 687 569**

52. Irregular expenditure (continued)

Analysis of expenditure awaiting investigation per age classification

Current year	102 412 393	60 200 348
Prior years	73 896 681	5 487 221
	176 309 074	**65 687 569**

Details of irregular expenditure – identified current year

Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	Non-compliance to the Supply Chain Policy	158 937
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	Non-compliance to the Supply Chain Policy	2 393 128
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	Non-compliance to the Supply Chain Policy	13 172 267
Procurement regulations not followed for purchases more than R200 000 and no deviation documented.	Non-compliance to the Supply Chain Policy	94 897 174
		110 621 506

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	482 315	435 295
Current year subscription / fee	1 713 775	1 513 800
Amount paid - current year	(1 654 860)	(1 466 780)
	541 230	**482 315**

Distribution losses

	2017 R	2017 %	2016 R	2016 %
Electricity losses	86 568 467	62%	126 752 795	52%
Water losses	59 721 748	54%	-	0%

The differences on sale of water is eud to water estiamtes made by the Department of Water Affairs as there are no bulk water meters.

Audit fees

Opening balance	(450 753)	6 005 719
Current year subscription / fee	5 671 585	3 621 179
Interest charged	126 186	125 460
Amount paid - current year	(2 825 038)	(10 203 111)
	2 521 980	**(450 753)**

PAYE,UIF and SDL

Opening balance	2 410 563	19 862 413
Current year subscription / fee	26 666 935	26 727 721
Amount paid - current year	(23 595 968)	(44 179 571)
	5 481 530	**2 410 563**

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

Pension and medical aid deductions

Opening balance	-	3 681 234
Current year subscription / fee	42 851 631	21 788 957
Amount paid - current year	(42 271 108)	(25 470 191)
Amount paid - previous years	(2 204 247)	-
	(1 623 724)	**-**

VAT

VAT receivable	111 727 626	76 570 521

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding more than 90 days R	Total R
Bocibo CN	4 317	4 317
De Jager A	46 097	46 097
Ferendale RS	30 357	30 357
Fieland H	20 378	20 378
Gobidolo SM	19 307	19 307
Mmusi MG	359	359
Molaphene PM	885	885
Motebele R	2 593	2 593
Motsumi ME	21 306	21 306
Nteo S	5 404	5 404
Rapuleng MD	1 526	1 526
Taje M	2 283	2 283
	154 812	**154 812**

30 June 2016	Outstanding more than 90 days R	Total R
De Jager A	12 181	12 181
Ferendale DA	228	228
Mofokeng MD	973	973
Molapene PM	1 856	1 856
Motsumi ME	19 886	19 886
Mthimkulu S	19 935	19 935
Schoonwinkel A	1 073	1 073
Sothoane EC	4 243	4 243
Swart A.P	4 004	4 004
Vandisi TL	2 080	2 080
	66 459	**66 459**

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

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54. 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.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

Category of services		
Emergency services	77 000	204 376
Sole provider	82 018	208 853
Impractically or impossible	65 936	-
Specialised services	-	23 782
	224 954	**437 011**

55. Budget differences

Material differences between budget and actual amounts

Management considers ant variances above 10% to be significant

55.1 - Management was unable to collect and bill as expected per budget due to weak internal controls on revenue section,

55.2 - Rental equipments were not able to generate rental income as budgeted, this might be due to the fact that they are not adequately maintained.

55.3 - Municipality over budgeted as they have expected to receive more other income from festivals that were held in Parys.

55.4 - The municipality did not take in to account interest charged on outstanding receivables.

55.5 - Management over budged based on incorrect escalation of tariffs.

55.6 - Management collected more fines that was expected, due to illegal connections that were identified on the water and electricity.

55.7 - Management spent more on employee cost due to acting allowance, overtime.

55.8 - Management budgeted less for depreciation.

55.9 - Management budgeted more for impairment .

55.10 - Management budget less on finance cost, Management budgeted less on Eskom based on the repayment terms entered in to with the current Municipal Manager.

55.11 - Management did not expect to spend more on repairs and maintenance hence less budget.

55.12 - Management did not take into account distribution losses,hence less budget on bulk purchases.

55.13 - Management budgeted less on contracted services, this is due to the fact that management planned to perform some of its services internally rather than to contract them out.

55.14 - Management spent less on general expenses, this might be due to cash flow constraints or priorities on creditors payments.

55. Budget differences (continued)

55.18 - Management did not budget for this expenses

55.15 - Management billed more than expected and new impairment methodology was used.

15.16 - Budged was based on last financial year balance as at 30 June 2016, municipality has less than expected

55.17 - Newly found assets were capitalised and new projects that were started in the 2016/17 financial year are included in WIP.

55.19 - New computer software were purchased in the 2016/2017 financial year.

55.20 - Management over budgeted on other financial assets.

55.21 - Management planned to acquire additional financial assistance from DBSA in the 2016/2017 financial year.

55.22 - Management was unable to pay Eskom and Rand water on time hence an increase in payables.

55.23 - Management anticipated project delays due to change in senior positions hence the unspent.

55.24 - Combination of short term and long term is less than 10%.

55.25 - Management anticipated council to approve the organisational structure hence the over budgeted on employee benefits.

55.26 - Management expected more revenue to be collected though the assistance of Bonakude on revenue enhancement.

55.27 - Management expected to collect their debtors accounts on time through assistance of Bonakude and interest were to decrease.

55.28 - Management anticipated to receive dividends on other financial assets held.

55.29 - Municipality over budged on other receipts.

55.30 - Management expected to pay Eskom, DWA and Rand Water on time during the year, hence less budget on finance cost.

55.31 - Management budgeted based on Municipal Infrastructure Grant only and not taking in to accounts other projects.