KOU-KAMMA MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

INDEX

GENERAL INFORMATION

	Dates in service of the municipality
1 July - 15 August 2016	16 August 2016 - 30 June 2017

MAYOR / SPEAKER

Cllr. Vuso M.S	Cllr. Vuso M.S

OTHER MEMBERS OF THE COUNCIL

Cllr. Goni P	Cllr. Bernardis. P
Cllr. Jacobs S	Cllr. Goliath. G.G.M.
Cllr. Jantjies B	Cllr. Herman F.E.
Cllr. Krige R	Cllr. Krige R
Cllr. Nelson L	Cllr. Le Roux Y.C.
Cllr. Smith K	Cllr. Plaatjies J.
Cllr. Strydom F	Cllr. Pullen H.P.
Cllr. Pottie N	Cllr. Smith K
Cllr. Rheeders C	Cllr. Strydom F
	Cllr. Yake F.J.

ADDRESS OF THE KOU-KAMMA LOCAL MUNICIPALITY

5 Keet Street	Private Bag X11
Kareedouw	Kareedouw
3170	3170

GRADING OF THE LOCAL AUTHORITY

Grade 1

EXTERNAL AUDITORS

Office of the Auditor General (East London)
69 Frere Road
Vincent
East London

PRIMARY BANKER

ABSA Bank Ltd

Accounting Officer

Kate P.M.

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2017

Municipal Manager
Kate P M.

Chief Financial Officer
Venter N.A.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 13 to 67, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

Kate P.M.
MUNICIPAL MANAGER
Date

Venter N.A.
CHIEF FINANCIAL OFFICER
Date

AUDITOR GENERAL
SOUTH AFRICA
30 NOV 2017

Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance of Generally Recognised Accounting Practice (GRAP) including any interpretation, guidelines and directive issued by the Accounting Standard 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 sets standards for internal control aimed at reducing risk error or loss in cost effective manner. The standard includes proper delegation of responsibilities within a clearly defined framework, effective accounting procedure 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 level of ethical standards 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 operation 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 officers is of the opinion, based on the information and explanations given by management that the system of internal controls 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 be proved only reasonable, and not absolute, assurance against material misstatements.

The accounting officer has reviewed the Municipality's cash flow forecast for the year 30 June 2017 and in the light of this review and the current financial position, is satisfied that the Municipality has adequate resources to continue operational existence for the foreseeable future.

The financial statements have been prepared on the going concern basis, were approved and signed by the accounting officer on the 31 August 2017

P.M. KATE
MUNICIPAL MANAGER

MEMBERS OF THE COUNCIL

Dates in service of the municipality

1 July - 15 August 2016	16 August 2016 - 30 June 2017
MAYOR / SPEAKER	**MAYOR / SPEAKER**
Cllr. Vuso MS	Cllr. Vuso MS
COUNCILLORS	**COUNCILLORS**
Cllr. Goni P	Cllr. Bernardis. P
Cllr. Jacobs S	Cllr. Goliath. G.G.M.
Cllr. Jantjies B	Cllr. Herman F.E.
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Cllr. Pottie N	Cllr. Smith K
Cllr. Rheeders C	Cllr. Strydom F
	Cllr. Yake F.J.

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, 1996 read with the Remuneration of Public Office Bearers Act No.20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	Actual 2017 R	Restated 2016 R
ASSETS			
Current Assets		**35 573 880**	**24 666 101**
Inventories	2	124 564	392 424
Receivables from Exchange Transactions	3	10 802 836	11 039 734
Receivables from Non-exchange Transactions	4	20 047 272	12 088 932
VAT Receivable	5	3 812 922	0.00
Cash and Cash Equivalents	6	713 695	1 001 722
Operating Lease Receivables	7	72 590	143 289
Non-Current Assets		**315 738 316**	**322 946 897**
Property, Plant and Equipment	8	290 333 500	297 416 686
Intangible Assets	9	139 094	237 402
Investment Property	10	25 265 723	25 292 809
Total Assets		**351 312 195**	**347 612 998**
LIABILITIES			
Current Liabilities		**42 811 092**	**42 924 916**
Consumer Deposits	11	104 588	104 700
Current Portion of Long-term Liabilities	15	328 573	261 359
Provisions	12	2 590 831	1 880 900
VAT	5	-	1 779 295
Payables from Exchange Transactions	13.1	37 088 327	34 137 302
Payables from Non Exchange Transactions	13.2	835 502	1 900 000
Unspent Conditional Grants and Receipts	14	1 863 270	2 861 360
Non-Current Liabilities		**4 937 640**	**3 896 824**
Employee Benefit Liabilities	15	3 602 107	2 622 824
Non-current Provisions	16	1 335 532	1 274 000
Total Liabilities		**47 748 732**	**46 821 740**
Net Assets		**303 563 464**	**300 791 258**
NET ASSETS		**303 563 464**	**300 791 258**
Accumulated Surplus	17	303 563 464	300 791 258
Total Net Assets		**303 563 464**	**300 791 258**

KOU-KAMMA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017	Restated 2016
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	18	16 256 133	15 595 843
Fines		5 123 359	1 579 946
Income for Agency Services	19	5 783 048	2 841 199
Government Grants and Subsidies Received	20	64 490 510	66 392 732
Revenue from Exchange Transactions			
Service Charges	21	26 471 237	25 769 671
Rental of Facilities and Equipment	22	379 728	408 301
Interest Earned - External Investments	23	72 506	206 011
Interest Earned - Outstanding Debtors	23	9 188 128	7 156 423
Other Revenue	24	3 667 029	2 444 017
Licences and Permits		18 143	30 149
Gain on disposal of Property, Plant and Equipment		334 264	-
Total Revenue		**131 784 085**	**122 424 291**
EXPENDITURE			
Employee Related Costs	25	(41 856 114)	(39 820 073)
Remuneration of Councillors	26	(3 123 213)	(3 000 433)
Depreciation and Amortisation	27	(23 026 505)	(22 383 413)
Bad debts		(19 604 897)	(19 741 415)
Repairs and Maintenance		(1 027 860)	(1 368 292)
Finance Costs	28	(1 961 355)	(995 317)
Bulk Purchases	29	(3 513 477)	(3 198 959)
Contracted Services	30	(2 734 480)	(3 839 159)
Grants and Subsidies Paid	31	(16 702 372)	(15 846 078)
General Expenses	32	(15 461 608)	(17 371 940)
Loss on Disposal of Property, Plant and Equipment		-	(324 968)
Total Expenditure		(129 011 880)	(127 890 048)
(DEFICIT) /SURPLUS FOR THE YEAR		**2 772 205**	**(5 465 756)**

KOU-KAMMA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Note	Accumulated Surplus / (Deficit)	Total
		R	R
2016			
Balance at 1 July 2015		**309 253 607**	**309 253 607**
Surplus/(Deficit) for the year		(5 465 756)	(5 465 756)
Balance at 30 June 2016		**303 787 850**	**303 787 850**
Correction of prior period error	35	(2 996 592)	(2 996 592)
2017			
Restated balance at 1 July 2016		**300 791 258**	**300 791 258**
Surplus/(Deficit) for the year		2 772 205	2 772 205
Balance at 30 June 2017		**303 563 464**	**303 563 464**

KOU-KAMMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	Restated 2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		16 890 918	26 006 312
Government Grant and Subsidies	20	62 383 060	63 552 994
Licence and permits		18 143	30 149
Interest Received	23	72 506	206 011
Other Receipts		9 829 805	5 693 517
Payments			
Employee Related Costs	25	(41 856 114)	(39 062 115)
Remuneration of Councillors	26	(3 123 213)	(3 000 433)
Interest Paid	28	(193 842)	(995 317)
Suppliers Paid		(29 339 797)	(36 059 993)
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	14 681 466	16 371 125
CASH FLOWS UTILISED FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(15 790 962)	(17 541 365)
Purchase of Intangible Assets	8	(14 032)	-
Proceeds on Disposal of Property, Plant and Equipment			106 101
NET CASH FLOWS FROM INVESTING ACTIVITIES		(15 804 994)	(17 435 264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan		835 502	1 900 000
NET CASH FLOWS FROM FINANCING ACTIVITIES		835 502	1 900 000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	6	(288 026)	835 861
Cash and Cash Equivalents at Beginning of Period		1 001 722	165 861
Cash and Cash Equivalents at End of Period		713 695	1 001 722

KOU-KAMMA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
AS AT 30 JUNE 2017

Description	Original Budget	Budget Adjustments (i.e. s28 & s31 Of The MFMA)	Final Budget	Actual Income & Expenditure	Variance	Variance percentage	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget	Notes
	R	R	R	R	R		R	R	
Financial Performance									
Property Rates	16 686 303	320 416	17 006 719	16 256 133	(750 585)	-4%	96%	97%	
Service Charges	23 768 299	3 084 861	26 853 160	26 471 237	(381 923)	-1%	99%	111%	
Rental of Facilities and Equipment	341 873	-	341 873	379 728	37 855	11%	111%	111%	N1
Investment Revenue	32 011	-	32 011	72 506	40 495	127%	227%	227%	N2
Interest earned:outstanding debtors	7 474 811	1 450 213	8 925 024	9 188 128	263 104	3%	103%	123%	
Fines	2 800 000	-	2 800 000	5 123 359	2 323 359	83%	183%	183%	N3
Income for the agency fees	3 436 403	4 103 475	7 539 878	5 783 048	(1 756 830)	-23%	77%	168%	N4
Licences and Permits	29 994	-	29 994	18 143	(11 851)	-40%	60%	60%	
Government grants and subsidies	63 818 926	3 820 252	67 639 178	64 490 510	(3 148 668)	-5%	95%	101%	
Other Own Revenue	22 070 669	(11 255 575)	10 815 094	3 667 029	(7 148 064)	-66%	34%	17%	N5
Gain on disposal of asset	-	-	63 158	334 264	334 264				
Total Revenue (Excluding Capital Transfers & Contributions)	146 459 289	1 523 642	142 046 089	131 784 085	(10 262 004)	-7%	93%	94%	
Employee Costs	46 779 679	(3 602 059)	43 177 620	41 856 114	(1 321 506)	-3%	97%	89%	
Remuneration Of Councillors	3 270 026	-	3 270 026	3 123 213	(146 813)	-4%	96%	96%	
Debt Impairment	23 475 727	(6 349 906)	17 125 821	19 604 897	2 479 076	14%	114%	84%	N5
Depreciation & Asset Impairment	21 095 660	1 073 348	22 169 008	23 026 505	857 497	4%	104%	109%	
Finance Charges	422 243	900 000	1 322 243	1 961 355	639 112	48%	148%	465%	N7
Materials & Bulk Purchases	3 721 931	1 050 000	4 771 931	3 513 477	(1 258 454)	-26%	74%	94%	N8
Repairs and Maintenance	2 070 424	(10 000)	2 060 424	1 027 860	(1 032 564)	-50%	50%	50%	N9
Contracted Services	3 376 303	965 000	4 341 303	2 734 480	(1 606 823)	-37%	63%	81%	N10
Transfers & Grants	18 041 770	3 852 023	21 893 793	16 702 372	(5 191 421)	-24%	76%	93%	N11
Other Expenditures	20 103 977	822 283	20 926 260	15 461 608	(5 464 651)	-26%	74%	77%	N12
Total Expenditure	*142 357 738*	*(1 299 310)*	*141 058 428*	*129 011 880*	*(12 046 547)*	*-9%*	*91%*	*91%*	
Surplus/(Deficit)	(1 898 449)	2 822 952	987 661	2 772 205	1 784 544	181%	281%	-146%	
Capital Expenditure	18 604 300	3 000 000	21 604 300	15 804 995	(5 799 305)	-27%	73%	85%	

Notes and Legends:

N1 Rental of facilities - as result of completion of upgdrades to community halls, rental income was higher than anticipated.

N2 Interest earned- ex Interest earned- external investments: The municipality had less short term investments than anticipated during the 2016/17 financial year.

N3 Fines - the turnaround time of fines issues is long. In addition to this there were months during the year, when no overtime was paid as a result traffic fines issued decreased. In addition to this the contract of the Traffic service provider ended towards the end of the financial year and a new one has not been appointed at year end. This had a negative impact on the collection of fines.

N4 Income from Agency services - additional income that should have been received from Sarah Baartman District Municipality for the provision of fire services as per agreement rolled over to the 201718 financial year

N5 Other Revenue - the municipality budgeted for cash recovery from outstanding debtors, this project however only came into full effect during June 2017. Results will be able to be measured during the 2017/18 financial year.

N6 Debt Impairment - As result of the 50/50 revenue collection program that was launced during the 2016/17 finanicial year, prior debt was written off.

N7 Finance charges - as a result of cashflow difficulties, the municipality could not settle all debt within 30 days, which resulted in interest being charged by suppliers

N8 -N12 As a result of cash flow challenges, operational expenditure was kept to a minimum.

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) listed below including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.6 standards and interpretations effective and adopted in the current year.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below.

The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy on *Revenue from Exchange Transactions* and Accounting Policy on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 and GRAP 23. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate. At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the municipality has an obligation to collect all revenue.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on *Financial Assets Classification* and Accounting Policy on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors.

1. BASIS OF PRESENTATION (Continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (Continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy on *PPE - Impairment of assets* and Accounting Policy on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing, write down of Inventories to the lowest of Cost and Net Realisable Values (NRV) and whether assets should be written down to current replacement cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgement by management. During the year no impairments were made to PPE, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1. 2. 7 Defined Benefit Plan Liabilities

The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the notes to the Annual Financial Statements.

1. 2. 8 Provisions and contingent liabilities

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. Additional disclosure of these estimates of provisions are included in Note 16 Provisions. A valuation report is prepared annually by the Province of the Eastern Cape Local Government and Traditional Affairs Department. This report is an effect to ensure that Kou-kamma Local Municipality complies with the Waste Act and the Generally Recognised Accounting Practice (GRAP) 17 and 19 requirements and standards. GRAP 17 requires the cost of rehabilitation of landfill sites to be capitalised as property, plant and equipment and within GRAP 17 the interest of this report is in the depreciation rate of the sites. GRAP 19 requires for costs of rehabilitation of landfill sites to be provided for.

1. 2. 9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1. 5 OFFSETTING

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

1. BASIS OF PRESENTATION (Continued)

New Standards and Interpretations

1. 6 Standards and interpretations effective and adopted in the current year

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An municipality assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition. The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense. The effective date of the interpretation is for years beginning on or after 01 April 2013.

GRAP 1 (as revised 2010): Presentation of Financial Statements

Additional disclosure requirements have been added regarding the following areas: assets and liabilities included in disposal groups classified as held for sale, biological assets, deferred tax assets (liabilities), tax expense, post-tax surplus or deficit and the use of transitions provision in the accounting policy. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes. Paragraphs added to Changes in accounting policies A change from one basis of accounting to another basis of accounting is a change in accounting policy. A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies: The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC. Commentary on the selection of benchmark and alternative accounting policies has been deleted. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes. Dividends or similar distributions declared from pre-acquisition surpluses: Paragraph .36 has been amended to encompass not only securities, but any contributed capital. Various amendments, deletions and additions to examples included in the appendix. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 12 (as revised 2010): Inventories

Cost formulas: Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the municipality.
Recognition as an expense: Where reference has been made to 'net realisable value', 'current replacement cost' has been added. Fair value measurement: The appendix on how to determine fair value has been deleted. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. 6 Standards and interpretations effective and adopted in the current year (Continued)

GRAP 13 (as revised 2010): Leases

Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. Non-current Assets Held for Sale and Discontinued.

Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard. Guidance on accounting for finance leases by lessors: The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance. Guidance on operating lease incentives and substance over legal form: The guidance included in the original text on substance over legal form has been deleted. Classification of leases on land and buildings elements: The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance. All amendments to be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

1. BASIS OF PRESENTATION (Continued)

1. 6 Standards and Interpretations effective and adopted in the current year (Continued)

GRAP 16 (as revised 2010): Investment Property

Recognition of investment property: Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property. This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.

The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably. Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property. Disclosure: Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount. Amendments to be applied as follow: Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An municipality shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an municipality elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 17 (as revised 2010): Property, Plant and Equipment

Scope: The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions. Investment properties under construction have been removed from the scope.
Measurement at initial recognition: Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value. Depreciable amount and depreciation period: An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not
require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Derecognition: The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed. Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the municipality subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories. Disclosures: The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used. The requirement to disclose the cost basis for revaluated assets was removed. Amendments to be applied as follow: Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An municipality shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an municipality elects to apply these amendments earlier, it shall disclose this fact. Any other amendments to the Standards of GRAP shall be applied retrospectively. The effective date of the amendment is for years beginning on or after 01 April 2013.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise: a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The standard states the recognition, measurement and disclosure requirements of: short-term employee benefits; all short-term employee benefits; short-term compensated absences; bonus, incentive and performance related payments; post-employment benefits: Defined contribution plans; other long-term employee benefits; an termination benefits. The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred. The effective date of the standard is for years beginning on or after 01 April 2013.

The adoption of these amendment is not expected to impact on the results of the municipality, but has resulted in more disclosures in the annual financial statements.

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued February 2011, effective date 15 April 2015
GRAP 20 Related Party Disclosures - issued June 2011
GRAP 32 Service concession arrangements grantor

1. 7 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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 budget documentation will usually reflect the segments for which an municipality reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an 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 an municipality within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the municipality. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 Service concession arrangements grantor

The standard prescribes the accounting treatment for service concession arrangements by the grantor, a public sector municipality. The effective date of the standard has not been determined yet.

No significant impact on the financial statements of the Municipality is expected.

GRAP 108 Statutory receivables

This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The effective date of the standard has not been determined yet.

2. PROPERTY, PLANT AND EQUIPMENT

2. 1 Initial Recognition

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, other than investment property, or for administrative purposes, and are expected to be used during more than one year.

2. 1 Initial Recognition (Continued)

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, being the fair value of the asset at acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

2. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or service potential associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at cost less accumulated depreciation and impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2. 3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The following is an indication of the maximum expected useful life of the assets:

	Years		Years
Infrastructure		***Buildings***	*30*
Roads and Paving	30		
Electricity	20	***Other***	
Water	20	Specialist Vehicles	20
Landfill Sites	7 - 50	Other Vehicles	7
		Office Equipment	10
Community		Furniture and Fittings	10
Recreational Facilities	30	Specialised Plant and Equipment	15
Security	5	Other Plant and Equipment	5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation and impairment (if applicable) only commences when the asset becomes available for use and transferred to the relevant asset class.

2. 5 Finance Leases

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

2. 6 Land & Buildings

Undeveloped Land is not depreciated as it is deemed to have an indefinite useful life, buildings and other structures situated on developed land are depreciated less their residual value over their useful life.

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

2. 7 Infrastructure Assets

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

2. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2017, and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3.

3. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

3. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	Years
Software	2-10

Intangible assets are annually tested for indicators of impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3. INTANGIBLE ASSETS (continued)

3. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an Intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognized as an asset where, and only where:

- 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.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another municipality under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

4 2 Subsequent Measurement

4 2. 1 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 30 - 60 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The residual value of the investment properties been assumed to be zero.
The land is not depreciated as it has an indefinite useful life.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 3 Derecognition

An investment property shall be derecognised (removed from the statement of financial position) 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.

5. IMPAIRMENT OF ASSETS (continued)

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

5. 1. Impairment of Cash generating assets

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

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

5. 2 Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

6 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

6 FINANCIAL INSTRUMENTS (continued)
Initial recognition

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial assets at amortised cost

Financial assets at fair value

Financial assets at cost

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial Instruments at Amortised Cost
Bank Balances and Cash	Financial Instruments at Amortised Cost
Consumer Debtors	Financial Instruments at Amortised Cost
Other Debtors	Financial Instruments at Amortised Cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

6 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another municipality. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial liabilities measured at amortised cost
Other Creditors	Financial liabilities measured at amortised cost
Trade Creditors	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost
Consumer Deposits	Financial liabilities measured at amortised cost
Retention	Financial liabilities measured at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6 3 Initial and Subsequent Measurement

When a financial asset or financial liability is recognised initially, an municipality shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

6 FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

6 4 Impairment of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6. 4 Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost

Debtors encompasses long term debtors, consumer debtors and other debtors.

Initially Debtors are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Debtors within 12 months from the date of reporting are classified as current.

A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of debtors are assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6 5 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

7. INVENTORIES

7. 1 Initial Recognition

Inventories comprise current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

7. INVENTORIES (Continued)

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an municipality expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Water Inventory

Water is regarded as inventory when the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8 REVENUE RECOGNITION

8 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8 1 Revenue from Exchange Transactions

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

8. REVENUE RECOGNITION (Continued)

8 1. 1 Service Charges

Service charges relating to sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

8 1. 3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

8 1. 4 Tariff Charges

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

8 1. 5 Sale of Goods

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

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8 1. 6 Rentals

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

8 1 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

8. REVENUE RECOGNITION (Continued)

8 1. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8 1. 2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

8 1. 3 Revenue from conditional grants, building and funding

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

8 1. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. PROVISIONS

Provisions are recognised when:

- The municipality has a present legal or constructive obligation as a result of past events;
- 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 best estimate of the expenditure required to settle the present obligation is the amount that an municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

10 EMPLOYEE BENEFITS

10 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

10. 1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10 2 Post employment benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

10 2. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

10 2. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11. LEASES

Lease Classification
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases other than finance leases are classified as operating leases.

11. LEASES (continued)

11. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured at lower of fair value of the asset or the PV of the minimum lease payments, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the implicit interest rate method.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, Plant and Equipment or Intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed in the Statement of Financial Performance when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11. 1 The Municipality as Lessee

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

11. 2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

11. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

12 BORROWING COSTS

Borrowing costs are expensed as they occur.

13 GRANTS-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 or 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 giving rise to the transfer occurred.

14 VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991. Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is overspending on the total amount appropriated in the municipality's budget or overspending on the total amount appriopraied for a vote or expenditure unrelated to teh departmental of functional area or expenditure of money appropriated for a specific purpose or a grant by the municipality otherwise than in accordance with the conditions in terms of the Municipal Finance Management Act (Act No 56 of 2003). 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable. Irregular expenditure can only be treated as an asset (recievable) if a responsible party to revocer the money from is identified.

16 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of changes in accounting policies where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review where applicable.

19 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22. 1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 24, been provided to these financial statements and forms part of the Annual Financial Statements.

22. 2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified, unless a standard of GRAP does not require the restatements of comparative information. The nature and reasons for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

22 COMPARATIVE INFORMATION

22. 3 Budget Information

The annual budget figures for the period 1 July 2016 to 30 June 2017 have been prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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

24. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

25 CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

	2017	2016
	R	R

1. GENERAL INFORMATION

Kou-Kamma Municipality (the municipality) is a local government institution in the Eastern Cape, and is one of nine local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the Introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2017	2016
Consumable Store	82 492	337 853
Water - at cost	42 073	54 572
Total Inventories	124 564	392 424

All inventory at year end is carried at cost.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
Service Debtors:	84 011 130	62 718 875
Electricity	569 800	373 186
Refuse	13 831 088	10 636 403
Sewerage	29 958 284	22 776 099
Water	38 933 569	28 562 411
Other Receivables	718 389	370 775
Housing	675 509	332 260
Loan instalments	42 880	38 515
Less: Provision for Impairment	(73 208 295)	(51 679 141)
Electricity	(385 985)	(294 648)
Water	(28 574 310)	(20 584 453)
Sewerage	(22 263 809)	(16 539 634)
Refuse	(10 068 197)	(8 102 155)
Housing rental	(23 400)	(19 789)
Loan instalments	(28 411)	(31 521)
Interest	(11 864 183)	(6 106 941)
Total Receivables from Exchange Transactions	10 802 836	11 039 734

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and debtors as well as the current payment ratio's of the municipality's debtors.

3.1 Ageing of Receivables from Exchange Transactions

	2017	2016
Electricity		
Current (0 -30 days)	52 154	11 261
31 - 60 days	10 056	9 192
61 - 90 days	35 009	9 473
91 - 120 days	5 935	4 020
+120 days	380 051	290 628
Interest	86 596	48 024
Allowance for debt impairment	(385 985)	(294 648)
	183 816	77 951
Water		
Current (0 -30 days)	1 166 995	442 773
31 - 60 days	1 440 420	783 394
61 - 90 days	620 675	903 569
91 - 120 days	703 283	875 687
+120 days	29 109 435	21 901 006
Interest	5 892 760	3 322 909
Allowance for debt impairment	(28 574 310)	(20 584 453)
	10 359 259	7 644 884
Sewerage		
Current (0 -30 days)	493 504	355 342
31 - 60 days	909 879	441 841
61 - 90 days	451 820	434 237
91 - 120 days	448 696	419 226
+120 days	22 237 570	17 881 888
Interest	5 416 815	3 123 784
Allowance for debt impairment	(22 263 809)	(16 539 634)
	7 694 476	6 116 685
Refuse		
Current (0 -30 days)	238 347	136 496
31 - 60 days	442 572	215 510
61 - 90 days	215 573	211 879
91 - 120 days	216 555	207 463
+120 days	10 575 978	8 452 276
Interest	2 380 411	1 335 021
Allowance for debt impairment	(10 068 197)	(8 102 155)
3.1 Ageing of Receivables from Exchange Transactions (continued)	3 762 891	2 456 491

	2017	2016
Housing rental		
Current (0 -30 days)	18 156	(1 428)

	2017 R	2016 R
31 - 60 days	160 167	13 292
61 - 90 days	14 086	13 292
91 - 120 days	14 086	13 292
+120 days	403 176	255 254
Interest	65 817	24 572
Allowance for debt impairment	(23 400)	(19 789)
	652 109	298 484
Loan instalments (and sundry)		
Current (0 -30 days)	2 968	-23
31 - 60 days	2 311	932
61 - 90 days	932	932
91 - 120 days	932	932
+120 days	35 408	31 528
Interest	328	285
Allowance for debt impairment	(28 411)	(31 521)
	14 469	3 066
Interest: Exchange Transactions		
Interest	13 842 727	7 854 595
Allowance for debt impairment	(11 864 183)	(6 106 941)
	1 978 544	1 747 655

3.2 Reconciliation of the Provision for Impairment

	2017 R	2016 R
Balance at beginning of year	(51 679 141)	(34 654 989)
(Allowance raised) / reversal of allowance	(14 239 032)	(17 526 566)
Amounts written off as uncollectable	243 319	502 413
Balance at end of year	(65 674 854)	(51 679 141)

An amount of R94 738.320 written off as uncollectable relates to the 50/50 payment incentive implemented by council.
R73 178.88 relate to current year debt.

Receivables from exchange transactions past due but not impaired

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2017 R6 275 646 (2016: R3 981 965) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017 R	2016 R
1 month past due	1 972 125	944 421
2 months past due	2 965 425	1 464 162
3 months past due	1 338 096	1 573 383
	6 275 646	3 981 965

No debtors were pledged as security.

3.3 Ageing of Impaired Receivables from Exchange Transactions

As at 30 June 2017	Current 0 - 30 days	Past Due 31 - 60 Days	Past Due 61 - 90 Days	Past Due + 90 Days	Total
All Receivables:					
Gross Balances	2 662 151	3 623 966	1 983 858	75 741 155	84 011 130
Less: Provision for Impairment	-	-	-	(73 208 295)	(73 208 295)
Net Balances	2 662 151	3 623 966	1 983 858	2 532 861	10 802 835

As at 30 June 2016	Current 0 - 30 days	Past Due 31 - 60 Days	Past Due 61 - 90 Days	Past Due + 90 Days	Total
All Receivables:					
Gross Balances	944 421	1 464 162	1 573 383	58 424 319	62 406 284
Less: Provision for Impairment	-	-	-	(51 679 141)	(51 679 141)
Net Balances	944 421	1 464 162	1 573 383	6 745 177	10 727 143

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2017	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	29 381 060	(11 321 620)	18 059 439
Other receivables from non exchange transactions	5 960 033	(3 972 200)	1 987 833
Total Receivables from Non-exchange Transactions	35 341 092	(15 293 820)	20 047 272

Gross	Provision for	Net

		2017	2016
		R	R
As at 30 June 2016	**Balances** R	**Impairment** R	**Balances** R
Assessment Rates Debtors	24 575 985	(13 226 763)	11 349 223
Other receivables from non exchange transactions	739 709		739 709
Total Receivables from Non-exchange Transactions	25 315 695	(13 226 763)	12 088 932

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Interest: Non-Exchange Transactions		
Interest	5 081 832	3 988 544
Allowance for debt impairment	(3 103 485)	(2 053 215)
	1 978 347	1 935 329

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2017	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	(1 631 338)	-833 738	552 863	31 293 272	29 381 060
Less: Provision for Impairment				(11 321 620)	(11 321 620)
Net Balances	(1 631 338)	(833 738)	552 863	19 971 652	18 059 439
Other receivables from non exchange transactions:					
Gross Balances	5 960 033	-	-	-	5 960 033
Less: Provision for Impairment	-	-	-	(3 972 200)	(3 972 200)
Net Balances	5 960 033	-	-	3 972 200	1 987 833

As at 30 June 2016	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	(483 118)	506 622	446 715	26 081 764	26 551 984
Less: Provision for Impairment				(13 226 763)	(13 226 763)
Net Balances	(483 118)	506 622	446 715	12 855 001	13 325 221
Other receivables from non exchange transactions:					
Gross Balances	2 867 326	-	-	-	2 867 326
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 867 326	-	-	-	2 867 326

Other receivables from non exchange transactions:		
Current (0 -30 days)	5 960 033	739 709
31 - 60 days		
	5 960 033	739 709
Rates		
Current (0 -30 days)	(1 862 193)	(483 118)
31 - 60 days	(1 060 979)	506 622
61 - 90 days	328 402	
91 - 120 days	317 774	403 560
+120 days	26 576 222	21 689 660
Interest	5 081 832	3 988 544
Allowance for debt impairment	(11 321 620)	(13 226 763)
	18 059 439	12 878 506

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	13 226 763	11 197 562
Impairment Losses recognised	(795 544)	2 183 057
Impairment Losses reversed	(4 213 084)	(153 856)
Balance at end of year	8 218 135	13 226 763

An amount of R 795 544.12 written off as uncollectable relates to the 50/50 payment incentive implemented by council.
R102 811.30 relate to current year debt.

The Provision for Impairment on debtors exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables from Non-Exchange Transactions other than Assessment Rates Debtors as the management is of the opinion that all other Receivables are recoverable within normal credit terms.

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. Individually significant debtors have been considered for impairment, in terms of GRAP 104, however none were impaired. At 30 June 2017, -R2 594 770 (2016: R470 220) were past due but not impaired.

1 month past due	(833 738)	506 622
2 months past due	552 863	446 715
3 months past due		
	(1 912 212)	470 220

	2017	2016
	R	R

5. VAT

Vat Receivable / Payable	3 812 922	1 779 295

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

6. CASH AND CASH EQUIVALENTS

	2017	2016
Current investment deposits	1 007	4 309
Bank Accounts	712 068	996 793
Total bank balances	713 075	1 001 102
Cash on hand	620	620
Total Bank, Cash and Cash Equivalents	713 695	1 001 722

The Municipality has the following bank and investment deposit accounts:

Restrictions relate to unspent conditional grants, only if the condition of the grant is met can transfers from cash be done. Refer to note 20.

Account number / description

	Bank statement balances		Cash book balances	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Bank accounts				
ABSA Bank Ltd - Current Account (Primary account) - 405 280 5864	593 380	823 093	671 440	851 518
ABSA Bank Ltd - Call Account - 90 7906 4583	23 866	41 106	29 425	86 419
ABSA Bank Ltd - Savings Account - 91 0220 9606	11 204	58 856	11 204	58 856
ABSA Bank Ltd - Savings Account - 91 9914 8641	1 007	4 309	1 007	4 309
Total	629 456	927 364	713 075	1 001 102

6.1 Cash on hand

	2017	2016
Cash Floats and Advances	620	620
Total Cash on hand in Cash Floats	620	620

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

7. OPERATING LEASE ASSET

Operating leases are recognised on the straight line basis as per requirement of GRAP 13. In respect of non-cancellable leases the following asset has been recognised:

	2017	2016
Balance at the beginning of the year	143 289	75 038
Movement in operating lease asset	(70 699)	68 251
Balance at the end of the year	72 590	143 289

8. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	4 903 499	(53 430)	4 850 069	4 903 499	(53 430)	4 850 069
Buildings	6 152 145	(2 771 089)	3 381 056	6 152 145	(2 486 248)	3 665 897
Other property, plant and equipment	12 043 695	(9 021 111)	3 022 584	11 882 264	(7 929 429)	3 952 835
Infrastructure	374 922 145	(152 420 464)	222 501 680	371 623 623	(134 367 779)	237 255 844
Community	55 818 956	(13 529 888)	42 289 068	33 745 804	(10 129 895)	23 615 909
Infrastructure - WIP	14 289 042		14 289 042	24 076 132	-	24 076 132
Total	**468 129 483**	**(177 795 982)**	**290 333 500**	**452 383 467**	**(154 966 781)**	**297 416 686**
			(0)			

Reconciliation of property, plant and equipment - 2017

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-	-	-	4 850 069
Buildings	3 665 897	-	-	-	(284 841)	-	3 381 056
Other property, plant and equipment	3 952 835	26 924	(19 451)	179 454	(1 117 178)	-	3 022 584
Infrastructure	237 255 844	2 492 707	-	805 815	(18 052 686)	-	222 501 680
Community	23 615 909	(4 496)	-	22 077 648	(3 399 992)	-	42 289 069
Infrastructure - WIP	24 076 132	13 275 827	-	(23 062 917)	-	-	14 289 042
	297 416 686	**15 790 962**	**(19 451)**	**0**	**(22 854 697)**	**-**	**290 333 500**

Reconciliation of property, plant and equipment - 2016

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
Land	4 850 069	-	-	-		-	4 850 069
Buildings	3 896 395	-	-	-	(230 498)	-	3 665 897
Other property, plant and equipment	4 639 383	841 024	(1 514 916)	-	(12 656)		3 952 835
Infrastructure	248 458 371		-	8 443 127	(19 645 654)	-	237 255 844
Community	16 902 206	1 575 940	-	6 396 500	(1 258 737)	-	23 615 909
Infrastructure - WIP	23 914 357	15 124 401	-	(14 962 627)	-	-	24 076 132
	302 660 781	**17 541 365**	**(1 514 916)**	**(123 000)**	**(21 147 545)**	**-**	**297 416 686**

9. INTANGIBLE ASSETS

	2017			2016		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer software	781 950	(642 856)	139 093.92	767 918	(530 516)	237 402

Reconciliation of intangible assets - 2017

	Opening	Additions	Disposals/ Amortisation	Total
Computer software	237 410	14 032	(112 348)	139 094

Reconciliation of intangible assets - 2016

	Opening	Additions	Amortisation	Total
Computer software	376 454		(139 044)	237 410

10. INVESTMENT PROPERTY

	2017			2016		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property - Land	24 912 100		24 912 100	24 912 100		24 912 100
Investment property - Buildings	869 937	(516 314)	353 623	869 937	(489 228)	380 709
	25 782 037	(516 314)	25 265 723	25 782 037	(489 228)	25 292 809

Reconciliation of investment property - 2017

	Opening	Disposal	Depreciation	Total
Investment property - Land	24 912 100			24 912 100
Investment property - Buildings	380 709		(27 087)	353 623
	25 292 809	-	(27 087)	25 265 723

Reconciliation of investment property - 2016

	Opening	Disposal	Depreciation	Total
Investment property - Land	25 048 100	(136 000)		24 912 100
Investment property - Buildings	257 678		123 031	380 709
	25 305 778	(136 000)	123 031	25 292 809

Details of property

No investment property has been given 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.

	2017 R	2016 R
11. CONSUMER DEPOSITS		
Electricity and Water	104 588	104 700
Total Consumer Deposits	104 588	104 700
12. PROVISIONS		
Balance at beginning of Year	1 880 900	1 316 855
Provision for bonuses	709 932	1 207 563
Performance bonus provision utilised	-	(643 519)
Total Provisions	2 590 831	1 880 900

Provisions raised include provision for workmen's compensation, performance bonuses and annual bonuses

Included in the provision is and amount of R1 208 838 relating to workmen's compensation. This has been estimated based on a return of earning calculation based on current financial information.

Provision for bonuses includes both performance bonuses of s57 employees and 13th cheque of all other employees. Provision for performance bonuses was made for the 2016/17 financial year. Performance bonuses for the 2015/16 financial year has not been paid as at the end of the 2016/17 financial year.

13. PAYABLES

	2017 R	2016 R
13.1 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	20 564 665	21 109 400
Other payables	2 739 498	3 301 565
Accrued Expenses	13 784 163	9 726 336
Total Payables	37 088 327	34 137 302

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

	2017 R	2016 R
13.2 PAYABLES FROM NON EXCHANGE TRANSACTIONS		
Short term loan	835 502	1 900 000
	836 502	1 900 000
14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
DSRAC Library	427 507	362 475
Housing rectification	636 347	1 590 790
National - Department of Water Affairs Grant	364 798	288 704
Other Spheres of Government	434 619	442 619
DoE- INEP	-	176 772
Total Unspent Conditional Grants	1 863 270	2 861 360

Grants spent during the financial year is in accordance with the conditions thereof.

15. EMPLOYEE BENEFIT LIABILITIES

	2017 R	2016 R
Non current liability		
Post-retirement Health Care Benefits Liability	2 079 880	1 212 799
Provision for Long Service Awards	1 622 227	1 410 025
	3 602 107	2 622 824
Current portion of long term liability		
Post-retirement Health Care Benefits Liability	184 592	125 508
Provision for Long Service Awards	143 981	135 851
	328 573	261 359

15. 1 Post-retirement Health Care Benefits Liability

	2017 R	2016 R
Balance at beginning of Year	1 339 307	1 691 311
Net actuarial (losses)/profits	942 887	-338 697
Increase due to Discounting	108 786	101 349
Benefits paid	(125 508)	(115 656)
Total Post-retirement Health Care Benefits Liability	2 264 472	1 339 307
Transfer to Current Provisions	(184 592)	(125 508)
Non-current portion of post-retirement Health Care Benefits Liability	2 079 880	1 212 799

The assumptions used are based on statistics and market data as at 30 June 2017. The following assumptions, in line with GRAP 25, have been used. Assumptions used at the reporting date:

	2017	2016
Discount rates used	8.78%	8.52%
General inflation	5.58%	6.21%
Medical inflation	7.08%	7.71%
Real rate (GAP)	1.59%	0.75%

__Discount rate assumption:__

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation. Consequently, a discount rate of 8.78% per annum has been used. The corresponding index-linked yield at this term is 2.56%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017.

__Health care cost inflation assumption__

This assumption is required to reflect the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.08% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.58%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.59%.

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

__Future inflation assumption:__

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.78% per annum, and the yield on the inflation-linked bonds of a similar term was about 2.56% per annum, implying an underlying expectation of inflation of 5.58% per annum ([1+8.78%-0.5%] / [1+2.56%]-1).

__Net discount rate:__

	2017	2016
	R	R

It is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. A net discount factor of 1.59% per annum ([1+8.78%] / [1+5.58%]-1).

Post-retirement mortality:

The post-retirement mortality assumptions are based on the PA(90) mortality tables rated down by 1 year. This assumption is in line with the previous assumptions used.

Family profile:

It has been assumed that husbands will be 4 years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future events. The actual cost of the subsidy will however be dependent on the actual experience. The tables below illustrate the likely impact certain changes to the underlying assumptions would have on the results.

Real rate of return	Current Assumption 0.46%	0.5% decrease in gap (0.04%)	0.5% increase in gap (0.96%)
Liability	2 264 472	2 151 248	2 377 696
Cost / (Saving)	-	113 224	(113 224)

Mortality	Current Assumption PA(90)-1	PA(90)	PA(90)-2
Liability	2 264 472	2 159 627	2 369 317
Cost / (Saving)	-	104 845	(104 845)

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

	2017	2016
Balance at the beginning of the year	1 338 307	1 691 311
Net actuarial (losses)/profits	942 887	(338 697)
Interest cost	108 786	101 349
Benefits paid	(125 508)	(115 656)
Total Recognised Benefit Liability	**2 264 472**	**1 338 307**

The amounts recognised in the Statement of Financial Performance are as follows:

	2017	2016
Interest cost	108 786	101 349
Actuarial losses / (gains)	942 887	(338 697)
Total Post-retirement Benefit included in Employee Related Costs (Note 23)	1 051 673	-237 348

	2017	2016	2015	2014
	R	R	R	R
Obligation	2 264 472	1 338 307	1 691 311	903 912
Deficit	2 264 472	1 338 307	1 691 311	903 912

In accordance with the transitional provisions for the amendments to GRAP 25 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

15.2 Post-retirement Long Service Awards liability

	2017	2016
Balance at beginning of Year	1 545 876	1 387 050
Actuarial Gain	-90 513	3 212
Increase due to Discounting	123 280	103 386
Benefits paid	(135 851)	(156 010)
Current service cost	223 416	208 238
Balance at end of Year	1 666 208	1 545 876
Transfer to Current Provisions	(143 981)	(135 851)
Total Post-retirement Long Service Awards liability	**1 522 227**	**1 410 025**

The assumptions used are based on statistics and market data as at 30 June 2016. The following valuation assumptions are consistent with the requirements of GRAP 25.

	2017	2016
Discount rate	8.24%	8.33%
General inflation	5.05%	6.01%
Salary inflation	6.05%	7.01%
Real rate (Gap)	2.07%	1.24%

Discount rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high quality corporate bond. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. A discount rate of 8.24% per annum has been used. This is derived by using the Bond Exchange Zero Coupon Yield Curve. The corresponding liability weighted index-linked yield is 2.56%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017.

Future Inflation Assumption

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employees salary at the date of award. General salary inflation in most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation. Thus a general salary inflation of 6.01% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. The assumption reflects a net discount rate of 2.07%. It has been assumed that the next salary increase will take place on 1 July 2017.

Net Discount Rate

It is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.07% per annum ([1+8.24%] / [1+6.05%]-1).

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will however be dependent on the actual experience.

15. EMPLOYEE BENEFIT LIABILITIES (Continued)

		2017 R	2016 R
Discount rate	Current Assumption 8.24%	Decrease of 0.5%: 7.39%	Increase of 0.5%: 8.39%
Liability	1 666 208	1 582 898	1 749 518
Cost / (Saving)	-	83 310	(83 310)
Retirement	Current Assumption Retire at average age 60	Retire at average age	Retire at average age 57
Liability	1 666 208	1 549 573	1 782 843
Cost / (Saving)	-	116 635	(116 635)

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

	2017 R	2016 R
Balance at the beginning of the year	1 545 876	1 387 050
Current service costs	223 416	208 238
Interest cost	123 280	103 386
Benefits paid	(135 851)	(156 010)
Actuarial (losses) / gains	(90 513)	3 212
Total Recognised Benefit Liability	1 666 208	1 545 876

The amounts recognised in the Statement of Financial Performance are as follows:

	2017 R	2016 R
Current service cost	223 416	208 238
Interest cost	123 280	103 386
Actuarial (losses) / gains	(90 513)	3 212
Total Long service award included in Employee Related Costs (Note 23)	256 183	314 836

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R
Obligation	1 666 208	1 545 876	1 387 050	1 152 254
Deficit	1 666 208	1 545 876	1 387 050	1 152 254

In accordance with the transitional provisions for the amendments to GRAP 25.136 (m)(ii) & (n). Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The municipality operates an unfunded defined benefit plan for all it's employees. Under the plan a long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long-service benefits are payable to employees.

Actuarial valuations are performed annually. The most recent valuations of the present value of the defined benefit obligation was carried out at 30 June 2017 by DT Murerlwa & TG Mhonde for One Panagea Financial consulting, a member of the Actuarial Society of South Africa.

The defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

16. NON-CURRENT PROVISIONS

Reconciliation of non-current provisions

Environmental rehabilitation

	2017 R	2016 R
Opening Balance	1 274 000	1 219 040
Increase in provision due to discounting	61 531	54 960
Total Non-Current Provision	1 335 532	1 274 000

Assumptions for landfill site provision

The most critical assumptions for estimating the life expectancy and rehabilitation costs of a landfill are:

- Available permitted airspace (typically expressed in cubic metres (m3). The sites will ultimately be used from one side of the fence to the other along the sites' perimeter. However, the final land use has not been determined for all these sites which would indicate the height that is useful for the sites hence the report assumes that, for the sake of calculations, the height of the sites will be between 3 and 5 meters from the lowest level reached by the waste.

- Airspace utilization factor commonly referred to as the in-place waste density (typically expressed as tons of waste placed per cubic meter of airspace consumed (tons/m3). The average density of the waste is between 0, 75 T/m3 to 1, 20 T/m3, depending on waste type and compaction efficiency, as prescribed by DWAF Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In this report it has been assumed that it is 0.75T/m.

- Waste acceptance rate (typically expressed in tons per year (tpy). Daily deposition of waste is about 10 Tons/per day (estimates given by municipal staff and there were no proper records kept).

- The sites listed below, have been in existence for the reporting period:

Kareedouw
Joubertina
Krakeelrivier
Louterwater
Coldstream
Woodlands
Clarkson

- the methodology prescribed by DWAF assumes that landfilling is done instead of waste dumping.

17 ACCUMULATED SURPLUSES

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2017 R	2016 R
Accumulated Surplus / (Deficit) due to the results of Operations	303 563 464	305 117 982

18 PROPERTY RATES

	2017 R	2016 R
Rates received		
Residential	3 540 166	4 271 294
Commercial	4 006 195	4 903 600
Agricultural	3 864 386	3 075 778
Medical	8 978	9 149
Government	4 732 051	3 700 663
Schools	102 357	76 150
	16 256 133	16 036 635
Valuations		
Residential	1 176 882 230	1 055 056 750
Commercial	243 692 000	298 668 915
State	419 777 000	242 931 390
Agriculture	2 018 806 199	2 088 128 800
Exempted properties	184 655 000	102 060 850
	4 042 812 429	3 786 846 705

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A 6.0 per cent increase in tariffs has been applied.

A general rate of 0.75764 c is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners.

Rates are levied on an annual basis, with the option of paying the rates on a monthly basis.

19 INCOME FROM AGENCY SERVICES

The following income is generated:

	2017 R	2016 R
Driver License Fees	1 183 184	942 228
Motor Vehicle licenses	892 648	790 566
Roadworthy certificates	108 216	93 404
Fire Services	3 599 000	1 015 000
	5 783 048	2 841 199

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

	2017 R	2016 R
National Equitable Share	38 957 915	37 662 000
Financial Management Grant (FMG)	1 825 000	1 800 000
EPWP	1 000 000	1 000 000
Sarah Baartman District Municipality: Environmental Health Subsidy	962 926	1 151 423
PMU- Expenditure Accounted for	734 700	750 950
DSRAC	866 968	949 008
Municipal Systems Improvement Grant (MSIG)	-	930 000
MIG Grant	11 458 629	13 845 596
Local Government: Cacadu District Municipality	8 000	130 523
Provincial: Department of Housing Grant	2 045 234	435 660
Provincial: LED	-	132 911
National: DWAF	4 349 434	5 781 435
Department of Energy (INEP)	142 875	1 823 228
Provincial Public works	2 138 829	-
Total Government Grants and Subsidies	**64 490 510**	**66 392 732**

National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy based on monthly billing, towards the consumer account, which is determined annually by council. All residential households receive 6kl water and some poor areas 50kWh electricity free every month.

Financial Management Grant (FMG)

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current year receipts	1 825 000	1 800 000
Conditions met - transferred to Revenue	(1 825 000)	(1 800 000)
Balance at the end of the year	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

Local Government: Cacadu District Municipality

	2017 R	2016 R
Balance unspent at beginning of year	442 619	(249 170)
Current year receipts	-	822 312
Transferred to Revenue	(8 000)	(130 523)
Other Adjustments/Refunds		
Balance at the end of the year	434 619	442 619

Grant purpose: To provide funding to support the strategic planning and IDP functions within the municipality.

Municipal System Improvement Grant (MSIG)

	2017 R	2016 R
Balance unspent at beginning of year	-	-
Current year receipts	-	930 000
Conditions met - transferred to Revenue	-	(930 000)
Balance at the end of the year	-	0

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No allocation was received for the 2016/17 financial year

Provincial: LED

	2017 R	2016 R
Balance unspent at beginning of year	-883	132 028
Current year receipts	-	-
Transferred to Revenue	883	(132 911)
Balance at the end of the year	-0	-883

Grant purpose: To provide funding for the employment of a LED assistant to assist with LED programmes within the municipality.

PMU- Expenditure Accounted for

	2017 R	2016 R
Balance unspent at beginning of year	-	
Current year receipts recognised	734 700	750 950
Transferred to Revenue	(734 700)	(750 950)
Balance at the end of the year	-	-

20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED (continued)

Sarah Baartman District Municipality: Environmental Health Subsidy

	2017	2016
	R	R
Balance unspent at beginning of year	-	236 644
Current year receipts	962 926	914 779
Transferred to Revenue	(962 926)	-1 151 423
Balance at the end of the year	-	-

Purpose of the subsidy : To provide environmental services on behalf of Sarah Baartman District Municipality.

National - Department of Water Affairs Grant		
Balance unspent at beginning of year	288 704	3 140 257
Current year receipts	4 425 528	2 929 882
Transferred to Revenue	(4 349 434)	-5 781 435
Balance at the end of the year	364 798	288 704

Grant purpose: The purpose of the grant is for the purchasing of water quality monitoring equipment.

DSRAC Library Subsidy		
Balance unspent at beginning of year	362 475	379 481
Current year receipts	932 000	932 000
Transferred to Revenue	(866 968)	(949 006)
Balance at the end of the year	427 507	362 475

Grant purpose: The purpose of the grant is a subsidy for library services in the Kou-kamma district. The subsidy covers salaries, operation and maintenance costs.

MIG Grant		
Balance unspent at beginning of year	(374 803)	(1 040 405)
Current year receipts	10 959 300	15 019 000
Transferred to Revenue	(11 458 629)	(13 845 596)
Other Adjustments/Refunds	-	(507 802)
Balance at the end of the year	(874 132)	(374 803)

Grant purpose: The purpose of the MIG grant is to provide capital funding for the upgrading, maintenance of the municipal infrastructure in order to provide basic services to the community.

National Treasury stopped the transfer of R 3M in the 2016/17 financial year due to underspending on the allocation for this period.

Department of Energy (INEP)		
Balance unspent at beginning of year	176 772	
Current year receipts	-	2 000 000
Transferred to Revenue	(142 875)	(1 823 228)
Other Adjustments	(33 897)	-
Balance at the end of the year	0	176 772

Grant Purpose: The purpose of the grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

No funding was received for the 2016/17 financial year

Housing rectification		
Balance unspent at beginning of year	1 590 790	1 812 688
Current year receipts	1 090 791	548 812
Transferred to Revenue	(2 045 234)	(770 711)
Balance at the end of the year	636 347	1 590 790

Grant purpose: To provide funding for the creation of sustainable RDP houses.

Department of Roads and Public Works		
Balance unspent at beginning of year	-	-
Current year receipts	1 494 900	-
Transferred to Revenue	(2 138 829)	-
Balance at the end of the year	-643 929	-

Grant purpose: Paving of various roads within the municipal boundaries

EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Transferred to Revenue	(1 000 000)	(1 000 000)
Balance at the end of the year	-	-

Grant purpose: To provide employment to improve the quality of life of unemployed people through the appointment of them to do labour intensive projects for example: Road Maintenance and the maintenance of buildings; Maintenance of social infrastructure; Beautification and cleansing of the municipal areas.

21 SERVICE CHARGES

Sale of Electricity	2 033 461	2 204 941
Sale of Water	11 765 315	11 619 142
Refuse Removal	4 092 211	3 904 675
Sewerage and Sanitation Charges	8 580 251	8 040 912
Total Service Charges	26 471 237	25 769 671
Attributable to:		
Continuing Operations	26 471 237	25 769 671
	26 471 237	25 769 671

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

22 RENTAL OF FACILITIES AND EQUIPMENT

	2017 R	2016 R
Operating Lease Rental Revenue:		
Premises	160 910	292 122
Halls	89 878	115 574
Houses	128 940	606
Facilities and equipment	379 728	408 301
Rental of equipment	-	-
Rental other	-	
Total Rental of Facilities and Equipment	379 728	408 301
Attributable to:		
Continuing Operations	379 728	408 301
	379 728	408 301

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

23 INTEREST EARNED

	2017 R	2016 R
External Investments:		
Bank Account	8 098	27 625
Short-term deposits	64 408	178 386
Total Interest Earned	72 506	206 011
Outstanding Debtors:		
Debtors	9 188 128	7 441 378
Total Interest Earned Outstanding Debtors	9 188 128	7 441 378
Total	9 260 634	7 647 388

24 OTHER REVENUE

	2017 R	2016 R
Connection fees	50 738	62 883
Valuation certificates	13 836	12 630
Building plan fees	88 216	213 158
Land use application fees	16 822	7 049
Information fees	50 963	55 284
Cemetery fees	79 008	63 692
Sundry other fees	3 367 446	2 029 222
Refuse site	-	98
Total Other Revenue	3 667 029	2 444 017
Attributable to:		
Continuing Operations	3 667 029	2 444 017
	3 667 029	2 444 017

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

25 EMPLOYEE RELATED COSTS

	2017 R	2016 R
Employee Related Costs - Salaries and Wages	25 922 296	22 725 202
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 024 142	5 392 640
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 896 560	2 339 642
Housing Benefits and Allowances	182 000	187 571
Overtime Payments	1 880 357	2 622 355
Other employee related costs	-	452 591
Long-service awards	70 058	35 275
Total Employee Related Costs	36 975 432	33 755 176
Attributable to:		
Continuing Operations	36 975 432	33 755 176
	36 975 432	33 755 176

Included in Employee Related Costs is an amount of R2 264 472 (2016: R 3 465 697) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans. For the financial period ending 30 June 2017, contributions due in respect of the 2016/17 reporting period has been accounted for and paid over to the plans accordingly.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager (Nkuhlu S) Resigned 23 January 2017	2017 R	2016 R
Annual Remuneration	532 768	834 068
Termination leave	217 368	-
Performance Bonus 2013/14	-	79 407
Performance Bonus 2014/15	-	105 985
Car and Other Allowances	173 866	298 056
Company Contributions to UIF, Medical and Pension Funds	10 290	1 785
Total	934 292	1 319 300

The Municipal Manager Mr Nkuhlu. S resigned 23 January 2017

Remuneration of the Municipal Manager (Kate P.M) Appointed 11 April 2017	2017 R	2016 R
Annual Remuneration	204 179	-
Car and Other Allowances	7 674	-
Company Contributions to UIF, Medical and Pension Funds	2 565	-
Total	214 418	-

The Municipal Manager Mr Kate P.M was appointed 11 April 2017

Remuneration of the Chief Financial Officer (Venter N) Contract ended 31 November 2016. Re-appointed 27 January 2017	2017 R	2016 R
Annual Remuneration	677 999	771 654
Termination leave	173 962	-
Performance Bonus 2013/14		23 842
Performance Bonus 2014/15	-	25 457
Car and Other Allowances	116 000	134 400
Company Contributions to UIF, Medical and Pension Funds	10 935	1 765
Total	978 896	957 138

The contract of the Chief Financial Officer Ms Venter N ended 31 November 2016. The contract was renewed, appointed date 27 January 2017

25 EMPLOYEE RELATED COSTS (continued)

	2017 R	2016 R
Remuneration of the Manager: Corporate Services (Zenzile M.)		
Annual Remuneration	-	721 252
Performance Bonus 2013/14	-	55 631
Performance Bonus 2014/15	-	50 914
Car and Other Allowances	-	139 500
Company Contributions to UIF, Medical and Pension Funds	-	1 338
Total	-	968 635

The Manager: Corporate Services Mr Zenzile resigned end of March 2016. This post remain vacant.

	2017 R	2016 R
Remuneration of the Manager: Technical Services (O Kwababana)		
Annual Remuneration	385 903	565 934
Performance Bonus 2014/15	-	14 143
Car and Other Allowances	576 780	340 120
Company Contributions to UIF, Medical and Pension Funds	10 383	1 785
Total	973 066	921 982

	2017 R	2016 R
Remuneration of the Manager: Strategic Services (Mpumiwana M)		
Annual Remuneration	339 539	662 454
Termination leave	173 962	-
Performance Bonus 2013/14	-	23 842
Performance Bonus 2014/15	-	16 971
Car and Other Allowances	145 200	243 600
Company Contributions to UIF, Medical and Pension Funds	7 448	1 785
Total	666 150	948 652

The contract of the Manager : Strategic Services Mr Mpumiwana M ended 31 December 2016. The post remain vacant.

	2017 R	2016 R
Remuneration of the Manager: Community Services (Sompani T)		
Annual Remuneration	723 607	666 976
Performance Bonus 2013/14	-	15 894
Performance Bonus 2014/15	-	25 457
Car and Other Allowances	377 648	239 078
Company Contributions to UIF, Medical and Pension Funds	12 605	1 785
Total	1 113 860	949 190
Employee costs		
Employee related costs	36 975 432	33 755 176
Directors	4 880 681	6 064 897
	41 856 114	39 820 073

26 REMUNERATION OF COUNCILLORS

	2017 R	2016 R
Mayor	711 400	730 633
Councillors	1 680 187	1 566 195
Councillors' allowances	731 626	703 606
Total Councillors' Remuneration	3 123 213	3 000 433
Councillors' remuneration		
Goni P	27 727	234 807
Jacobs S	26 937	234 807
Jantjies B	27 727	234 807
Krige J	245 743	234 807
Mntambo N	-	156 538
Nelson L	27 743	234 807
Pottie N	27 727	234 807
Rheeders C	27 673	234 807
Strydom F	245 743	234 807
Smit K	245 743	234 807
Bernardis. P	220 753	-
Goliath. G.G.M.	220 753	-
Herman F.E.	220 673	-
Yake F.J.	220 753	-
Le Roux Y.C.	220 753	-
Plaatjies J.	220 673	-
Pullen H.P.	220 673	-
	2 447 795	2 269 800

In-kind Benefits
The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.
The councillor salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution

27 DEPRECIATION AND AMORTISATION

	2017 R	2016 R
Depreciation: Property, Plant and Equipment	22 887 070	21 051 789
Amortisation: Intangible Assets	112 348	251 832
Depreciation: Investment Property	27 087	554 258
Total Depreciation and Amortisation	23 026 505	21 857 879
Attributable to:		
Continuing Operations	23 026 505	21 857 879
	23 026 505	21 857 879

28 FINANCE COSTS

	2017 R	2016 R
Other interest paid	190 099	995 315
Suppliers	1 536 157	2
Finance Charges	235 099	-
Creditors Overdue	1 961 355	995 317
Attributable to:		
Continuing Operations	1 961 355	995 317
	1 961 355	995 317

29 BULK PURCHASES

	2017 R	2016 R
Electricity	3 477 475	3 174 758
Water	36 002	24 201
Total Bulk Purchases	3 513 477	3 198 959

30 CONTRACTED SERVICES

Professional Fees	257 122	91 972
Security Services	470 326	1 804 346
General contract expenses	2 007 032	1 942 841
Total Contracted Services	2 734 480	3 839 159
Attributable to:		
Continuing Operations	2 734 480	3 839 159
Discontinued Operations	-	-
	2 734 480	3 839 159

31 GRANTS AND SUBSIDIES PAID

Low income subsidy/ Free basic services	12 072 613	11 166 619
Community projects	4 629 759	4 679 460
Total Grants and Subsidies	16 702 372	15 846 078

The low income subsidy/ free basic services is in respect of providing basic service levels.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

The Mayor makes subsidies available on application after consultation with the Municipal Manager on the merits of such an application.

32 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	270 571	277 998
Audit Fees - External	2 477 155	2 872 930
Bank Charges	319 175	302 419
Cleaning	64 259	97 202
Conferences and delegations		4 221
Consumables	1 368 175	1 660 073
Electricity purchases	3 922 536	3 456 439
Refreshments	49 114	65 175
Fuel and oil	1 261 328	1 462 071
Insurance	497 778	471 071
Legal expenses	935 518	1 829 599
Licence cards & fees - vehicles	225 921	181 882
Medical tests	-	10 175
Other expenses	27 951	578 258
Other rentals	220 067	108 256
Postage	24 079	34 307
Printing and stationery	382 054	516 798
Rental of office equipment	483 113	227 417
SPU programs	56 404	31 450
Subscription and publications	24 124	18 623
Telephone cost	1 585 896	1 693 323
Training	61 729	88 675
Materials and stores	436 894	188 846
Travel and subsistence	675 817	1 194 732
SALGA	101 950	-
Total General Expenses	15 461 608	17 371 940

33 CASH GENERATED BY OPERATIONS

(Deficit) / Surplus for the Year	2 772 205	-5 465 756
Adjustment for:		
Depreciation and Amortisation	23 026 505	22 462 263
Losses / (Gains) on Disposal of Property, Plant and Equipment	-334 264	246 118
Movements in retirement benefit assets and liabilities	61 531	-194 178
Movements in provisions	248 705	619 005
Changes in working capital:		
(Increase) / Decrease in Inventories	267 860	-73 606
(Increase) / Decrease in receivables from exchange transactions	236 698	-2 412 794
(Increase) / Decrease in other receivables from non-exchange transactions	-7 958 340	-3 148 787
Increase / (Decrease) in payables from exchange transactions	2 951 025	5 509 473
Increase / (Decrease) in VAT Recievable	-5 592 570	1 011 630
Increase / (Decrease) in unspent conditional grants and receipts	-998 090	-2 839 739
Cash generated by / (utilised in) Operations	14 681 466	15 646 377

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised Expenditure

Opening balance		8 882 857
Prior year approval (rescinded by council)		-8 882 857
2016/17 Unauthorised expenditure	1 914 771	
Unauthorised expenditure : Capital Budget	-	-
	1 914 771	0

34.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	2 103 460	1 163 104
Fruitless and Wasteful Expenditure current year	1 894 803	940 356
	3 998 263	2 103 460

34.3 Irregular Expenditure

Opening balance	78 423 110	73 309 713
Bridging of the supply chain policy	18 953 255	5 113 397
	97 376 365	78 423 110

	2017 R	2016 R

Irregular expenditure to be reported to National Treasury as prescribed by section 170 of the MFMA

	R
2015/16 Financial year	78 423 110
2016/17 Financial year	18 953 255
Total	97 376 365

The irregular expenditure of relates of R16 908 021; (2015/16: R4 677 474); (2014/15:R15 651 321), relates to an exception raised by the Auditor-General that all tenders awarded on which a senior SCM official was not part of the BAC should be declared as irregular expenditure. As a result of this, the Auditor-General ruled that the two prior years be treated the same, although already audited and accepted in those respective audits. At all BAC due to limited staff complement, the CFO is the chairperson of the BAC and was regarded as the senior overseeing the SCM department.

35 CORRECTION OF PRIOR PERIOD ERROR

The correction of the errors / change in accounting policies resulted in adjustments as follows:

35.1 Property Rates

	2017 R	2016 R
A number of exempted properties was billed for rates		
Adjustment against retained earnings 30 June 2016		
Adjustments affecting the statement of financial position		
Decrease in Assessment rates		(2 583 835)
Decrease in Interest		(512 830)
Adjustments affecting the statement of financial performance		
Decrease in property rates		3 096 665
		-

35.2 Investment Properties

	2017 R	2016 R
A number of properties were disposed of during the previous financial year		
Adjustment against retained earnings 30 June 2016		
Adjustments affecting the statement of financial position		
Decrease in investment property		(335 688)
Adjustments affecting the statement of financial performance		
Decrease in depreciation		(20 850)
Increase in proceeds on sale of assets		356 538
		-

Asset number 1705 relate to property that was sold to a Church

35.3 Property, Plant and Equipment

	2017 R	2016 R
An amount incorrectly capitalised		
Adjustment against retained earnings 30 June 2016		
Adjustments affecting the statement of financial position		
Decrease in Property, plant and Equipment		-123 000
Decrease in creditors		123 000
		-

35.4 Property, Plant and Equipment

A number of properties were reflected as being work in progress while already been completed

Asset register Note 8 :30 June 2015:	Work in progress overstated and community assets understated	R 507 976
Asset register Note 8 :30 June 2016:	Work in progress overstated and community assets understated	R 6 519 500
	Work in progress overstated and infrastructure assets understated	R 8 443 127

These misstatements did not have any effect on the Statement of Financial Position.

35.5 Property, Plant and Equipment

	2017 R	2016 R
Assets were held as Work in Progress and not capitalised and depreciated.		
Adjustment against retained earnings 30 June 2015		
Decrease in the carrying value Property, plant and Equipment		-59 388
Change in net Assets		59 388
		-
Adjustment against retained earnings 30 June 2016		
Decrease in the carrying value Property, plant and Equipment		-546 384
Increase in depreciation		546 384
		-

35.6 Property, Plant and Equipment

	2017 R	2016 R
Assets disposed in prior years		
Adjustment against retained earnings 30 June 2016		
Decrease in the Cost of Property, plant and Equipment		-430 000
Increase in accumulated depreciation		131 462
Decrease in accumulated surpluses		298 538
		-

36 Material losses

	2017 R	2016 R
Distribution losses on electricity	1 393 897	664 416
Distribution losses on water	10 984 126	15 488 356
	12 378 023	16 152 772
Accounted water losses :	Litres per annum	Litres per annum
Volume Distributed (kl)	1 361 715	2 447 160
Volume Billed(kl)	-536 173	-1 146 138
Non-Revenue Water (kl)	825 542	1 301 022

Methodology used

The water loss calculations were based on the readings of the bulk water meters on the main line feeding into the distribution systems from the reservoirs and then the end users meters.

In determining the water loss the following where considered:

The methodology is based on the logical intellect or arithmetic principle that a product metered at initial point of the sealed pipeline will be equal to the amount of product metered at the end of the same pipeline

On that case, the volume of water from reservoir metered on the outlet pipe A distributing to point B, C and D is expected to be equals to the sum of water metered at points B, C and D. The difference is therefore considered a loss as it is not been accounted for.

In the absence of meters at point B, C and D, the total volume of water distributed at point A (Reservoir outlet) is considered water loss as it is not accounted for on the distribution mains.

The value of water is based on the expenditure incurred in relation to the volume of water purified from all systems inclusive of bulk water purchases for the entire financial year.

Such information is used to determine the value of water per specific volume. The determined total amount of water unaccounted for is then converted in to rand value based.

	2017	2016
	R	R
37 Audit fees		
Opening balance	7 380 912	7 706 843
Current year audit fee	2 823 957	3 169 655
Current year interest	737 432	482 388
Interest paid	-	-
Amount paid - previous years	-3 327 797	-3 977 974
	7 614 503	7 380 912

The balance unpaid represents the audit fees that could not be paid due to financial constraints endured by the municipality.

	2017	2016
38 PAYE and UIF		
Current year payroll deductions	6 600 406	6 930 428
Amount paid - current year	-6 069 927	-6 050 394
	530 478	880 034
39 Pension and medical aid deductions		
Current year payroll deductions and Council contributions	8 454 509	7 565 769
Amount paid - current year	-8 754 427	-8 331 070
	-299 918	-765 301
40 VAT		
VAT receivable/payable	3 812 922	1 779 295
	3 812 922	1 779 295

41 COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

The municipality had the following capital commitments at year-end.

	2017	2016
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	7 251 285	4 316 883
Infrastructure	7 251 285	341 690
Community	-	2 481 412
Other	-	1 493 781
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Total Capital Commitments	7 251 285	4 316 883
This expenditure will be financed from:		
Government Grants	7 251 285	2 823 102
Own Resources	-	1 493 781
	7 251 285	4 316 883

41.2 Lease Commitments - Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

	2017	2016
Operating leases - Municipality as lessee (expense)		
Minimum lease payments due		
- within one year	636 502	569 741
- in second to fifth year inclusive	219 809	746 090
- later than five years	370	-
	856 681	1 315 831

The Municipality has leased portion 250 of Krakeelrivier no, 314 to Strydom Vrugteboerdery for R3,500 per annum with an escalation of 10%. The lease is for an indefinite period.

The municipality has entered into a lease agreement with Telkom to rent the ISDN 30 PRA for a period of 5 years at R2657.58 per month.

The municipality has entered into a lease agreement with Telkom to rent the TI-DIS Gold Access Service for a period of 3 years at R11 195.80 per month.

The Municipality entered into a lease with Wian de Jager for the use of Prt 19 of Farm Melkhoudtkraal 254, Hdorp district as a refuse dumpsite. The lease is for a period of three years at a monthly rental of R25 000 escalating at the higher of 7% or CPI at the anniversary of the lease.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment.
The municipality has entered into an operating lease agreement with Antemax Equipment CC for the rental of 7 bizhub machines and a binder for a period of three (3) years. The lease period commenced in May 2015.

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:
(i) The equipment shall remain the property of the lessor;
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of it's rights or obligations on the office equipment; and
(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

	2017	2016
Operating leases - Municipality as lessor (income)		
Minimum lease payments due		
- within one year	235 593	233 048
- in second to fifth year inclusive	880 521	922 275
- later than five years	451 465	643 676
	1 567 579	1 798 998

The municipality has entered into a lease agreement with Cell C (Pty) Ltd who is a licensed operator of an electronic communications network. Cell C (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network.
Vodacom (Pty) Ltd is leasing a site for the installation of certain infrastructure assets required for the operation of its network. The initial lease period is 9 years and 11 months with two renewal options of 5 years each. There are no contingent rentals and no subleases.

The Municipality has entered into a lease agreement with Vodacom PTY (Pty) Ltd who is a licensed operator of an electronic communications network.
Vodacom (Pty) Ltd entered into a lease agreement in order to install antennae and equipment on the building situated at Joubertina. The lease contract expired in 2005

	2017	2016
	R	R

41.2 Lease Commitments - Amounts payable under Operating Leases (continued)

The Municipality has entered into a lease agreement with Sentech Soc Ltd to hire a portion of certain property situated off R62 in Joubertina and the unimpeded use of the access road for the purpose of site access.
Interest rate increase is in line with a published index("Increases in line with CPI").

The municipality has entered into a lease agreement with Ilitha Crèche for the use of a municipal building at R5 per months, no escalation for 9years and 11months.

The municipality has entered into a lease agreement with Kareedouw Youth Programme for the use of a municipal building at R60 per month, no escalation for 3years.

The Municipality has entered into a lease agreement with Atlas Tower Property Limited (MTN) who is a licensed operator of an electronic communications network. MTN (Pty) Ltd is leasing the Erf 77 in Coldstream. The initial lease period is 9 years and 11 months at R10 260 per month.

42 FINANCIAL INSTRUMENTS

Categories of financial instruments

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

	At amortised cost	Total
Financial Assets - 2017		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
Receivables from Exchange Transactions	10 802 836	10 802 836
Receivables from Non-exchange Transactions	20 047 272	20 047 272
Cash and Cash Equivalents	713 695	713 695
	31 563 803	31 563 803
Financial Liabilities - 2017		
Payables from exchange transactions	37 088 327	37 088 327
Short term loan	835 502	835 502
Customer deposits	104 588	104 588
Unspent conditional grants	1 863 270	1 863 270
	39 891 688	39 891 688
Financial Assets - 2016		
Receivables from Exchange Transactions	11 039 734	11 039 734
Receivables from Non-exchange Transactions	15 185 597	15 185 597
Cash and Cash Equivalents	1 001 722	1 001 722
	27 227 052	27 227 052
Financial Liabilities - 2016		
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:		
Payables from exchange transactions	33 992 552	33 992 552
Short term loan	1 900 000	1 900 000
Customer deposits	104 700	104 700
Unspent conditional grants	2 861 360	2 861 360
	38 858 612	38 858 612

Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the GRAP's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

42.1 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Market Risk.
- Liquidity Risk; and
- Credit Risk;

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 on going review of future commitments and credit facilities.

The municipality intends to pay creditors within 30 days.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

	2017	2016
	R	R

42.2 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.3 Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

42.4 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

42.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

__Interest Rate Sensitivity Analysis__

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below:

Cash and Cash Equivalents:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
Surplus for the year ended 30 June 2017 has decreased by R796 914. This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.
Bank balance held with Absa bank Limited is R 662 516 (2016: R994 834).

42.6 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

__Investments/Bank, Cash and Cash Equivalents__

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank. No investments with a tenure exceeding twelve months are made.

__Trade and Other Receivables__

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on going customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2017	2016
	R	R

42 FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing.

Financial assets exposed to credit risk at year end were as follows:	2017	2016
Trade and other receivables from exchange transactions	10 802 836	11 039 734
Cash and cash equivalents	713 695	1 001 722
	11 516 531	12 041 456

43 IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in -kind donations and assistance during the 2016/17 financial year

44 CONTINGENT LIABILITIES

WT Rhoode

Employee dismissed, case still unresolved

Probable loss 147 290.00

SAMWU obo Julius & Floors

Employees instituted legal proceedings against the municipality with regards to changes in working conditions

Probable loss 236 647.29

Tamboer & Others

These employees are employed by the municipality and are claiming benefits which according to them are due and payable, were stopped.

Probable loss 531 460.46

45 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

45.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with the municipality, which is limited to their employment:

Name of Related Person	Designation		
Members of key management			
Municipal Manager	S Nkuhlu	Resigned 23 January 2017	
	P.M. Kate	Appointed 11 April 2017	
Chief Financial Officer	N Venter	Contract ended 30 November 2016	
		Appointed 27 January 2017 on a new contract	
Manager: Community Services	TM Sompani		
Manager: Strategic Services	M Mpumlwana	Contract ended 31 December 2016. Post not filled	
Manager: Technical Services	O Kwababana		
	1 July - 15 August 2016		**16 August 2016 - 30 June 2017**
Mayor	Vuso MS		Vuso MS
Councillors	Goni P		Bernardis. P
	Jacobs S		Goliath. G.G.M.
	Jantjies B		Herman F.E.
	Krige R		Krige R
	Nelson L		Le Roux Y.C.
	Pottie N		Plaatjies J.
	Rheeders C		Pullen H.P.
	Strydom F		Smith K
	Smith K		Strydom F
			Yake F.J.

Compensation to key management as per note 25

Loans from Managers

Unsecured loans from directors entered into in the financial year amounts to R 8000 (2016: R1900 000). No interest is payable by the municipality on the loan and the loan is repayable in full within 30 days after the date entered into. At the end of the financial period the balance outstanding was R 0 (2016: R1900 000)

Individuals as well as their close family members, and/or entities are related parties if one party has the ability , directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager.

46 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

47 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017

48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Non-Compliance with the Municipal Finance Management Act

Instance of non-compliance with the MFMA relate to Irregular, Fruitless and Wasteful Expenditure.

48.2 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 39 of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

	2017	2016
	R	R

Year 2016/2017

REASON FOR DEVIATION	NUMBER OF INCIDENTS	AMOUNTS	
IMPRACTICAL OR IMPOSSIBLE TO FOLLOW THE OFFICIAL PROCUREMENT PROCESS	185	R	2 610 162.98
AN EMERGENCY	17	R	287 780.23
		R	2 897 943.21

45 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

There are a number of other events and conditions that individually or collectively may cast significant doubt on the going concern assumption and place the municipality's financial sustainability under threat. These indicators include amongst others:

Revenue is not being collected and debtor's recoverability days have worsened during the 2016/17 financial year.

Certain suppliers only provide services on the cash basis now due to problems receiving payments in the past.

The community is refusing to pay for services due to incorrect accounts, faulty water meters and a delay in receiving statements.

Due to cash flow challenges the municipality is unable to pay creditor within 30 days.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis as it is off the opinion that with the current belt-tightening processes and revenue collection programme, 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.