INXUBA YETHEMBA LOCAL MUNICIPALITY
(Registration number EC131)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Inxuba Yethemba Local Municipality

(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	EC131 - Local Municipality - The municipality's operations are governed by the Municipal Finance Management act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000; and various other acts and regulations.
Nature of business and principal activities	Inxuba Yethemba Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provide services like electricity and refuse to the community. Inxuba Yethemba Local Municipality also serves as an agent to Provincial Department of Transport.
Jurisdiction	Cradock and Middelburg
Executive committee	
Executive Mayor	ZR Shweni
Speaker	MM Nortjie
Chief Whip	T Bobo
Mayoral Committee	L Davids
	G Mgeza
Councillors	V Bene (MPAC Chair)
	M Desha
	C Diamond
	MH Featherstonehaugh
	S Goniwe
	S Holster
	BL Lawens
	R Lottering
	ZA Mankamani
	TM Msali
	CA Sammy
	HB Vorster
Grading of local authority	Three (3)
Registered office	1 J A Calata Street Cradock 5880
Business and postal address	1 J A Calata Street Cradock 5880
Bankers	First National Bank
Auditors	Auditor - General of South Africa
Attorneys	Metcalf & Kie Attorneys Nolte and Smith Minnaar & De Kock Attorneys Van Heerden Incorporated Labuschagne van der Walt Incorporated

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

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

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

The annual financial statements set out on pages ____ to ____, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mr KL Mulaudzi
Acting municipal manager

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PRACTICE LOGO

Report of the Auditor General

To the Provincial Legislature of Inxuba Yethemba Local Municipality

Report on the financial statements

Auditor - General of South Africa
Registered Auditors

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 53 059 182 (2016: deficit R 64 013 471)).

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 1 241 533 220 and that the municipality's current liabilities exceed its current assets by R 90 845 501.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality from national and provincial government.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would require disclosure in the financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interests in contracts of the Municipality.

5. Accounting policies

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

Statement of Financial Position as at 30 June 2017

	Notes	2017 R	2016 Restated* R
ASSETS			
Current Assets			
Inventories	3	463 714	837 160
Receivables from exchange transactions	4	3 363 772	1 750 464
Receivables from non-exchange transactions	5	7 043 005	7 353 198
Consumer debtors from exchange transactions	6	37 531 040	8 626 425
Cash and cash equivalents	7	2 123 273	3 151 031
		50 524 804	**21 718 278**
Non-Current Assets			
Investment property	8	39 934 500	37 825 500
Heritage assets	9	2 225 000	2 225 000
Property, plant and equipment	10	1 335 897 221	1 372 007 849
Investments in controlled entities	11	-	100
		1 378 056 721	**1 412 058 449**
Total Assets		**1 428 581 525**	**1 433 776 727**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	12	90 870 993	57 876 873
VAT payable	13	11 774 990	10 029 860
Consumer deposits	14	1 324 396	1 237 088
Unspent conditional grants and receipts	15	10 774 576	3 121 545
Provisions	16	26 625 350	24 831 540
Finance lease obligation	17	-	185 419
		141 370 305	**97 282 325**
Non-Current Liabilities			
Employee benefit obligation	18	45 678 000	41 902 000
Total Liabilities		**187 048 305**	**139 184 325**
Net Assets		**1 241 533 220**	**1 294 592 402**
Accumulated surplus		1 241 533 220	1 294 592 402
Total Net Assets		**1 241 533 220**	**1 294 592 402**

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* See Note 48 & 49

Statement of Financial Performance

	Notes	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	109 638 384	93 172 697
Rental of facilities and equipment	20	2 162 965	2 048 667
Income from agency services		3 105 430	2 652 893
Interest revenue	21	9 606 973	6 016 599
Gain on disposal of assets and liabilities	22	493 930	219 679
Actuarial gains	22	-	2 418 920
Fair value adjustments	23	2 109 000	-
Sundry fees and income	24	1 384 428	1 212 738
Total revenue from exchange transactions	27	**128 501 110**	**107 742 193**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	36 434 346	32 953 235
Transfer revenue			
Government grants and subsidies	26	77 247 985	68 597 340
Fines	27	279 428	181 571
Total revenue from non-exchange transactions	27	**113 961 759**	**101 732 146**
Total revenue	27	**242 462 869**	**209 474 339**
Expenditure			
Employee related costs	28	(75 852 514)	(71 944 013)
Remuneration of councillors	29	(6 828 354)	(6 950 306)
Depreciation and amortisation	30	(61 177 971)	(61 494 995)
Impairment of assets	31	(20 517 828)	(17 207 788)
Finance costs	32	(11 421 724)	(5 043 015)
Lease rentals on operating lease	22	(1 129 507)	(708 083)
Repairs and maintenance	33	(4 292 059)	(3 143 481)
Bulk purchases	34	(61 485 424)	(62 451 741)
Actuarial losses	22	(166 292)	-
General expenses	35	(52 650 378)	(44 544 388)
Total expenditure		**(295 522 051)**	**(273 487 810)**
Deficit for the year		**(53 059 182)**	**(64 013 471)**

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* See Note 48 & 49

Statement of Changes in Net Assets

	Notes	Accumulated surplus R	Total net assets R
Opening balance as previously reported		555 138 491	555 138 491
Adjustments			
Correction of errors	49	803 467 382	803 467 382
Balance at 01 July 2016 as restated*		**1 358 605 873**	**1 358 605 873**
Changes in net assets			
Deficit for the year		(64 013 471)	(64 013 471)
Total changes		(64 013 471)	(64 013 471)
Balance at 30 June 2016		**1 294 592 402**	**1 294 592 402**
Restated balance at 30 June 2016*		**1 294 592 402**	**1 294 592 402**
Changes in net assets			
Deficit for the year		(53 059 182)	(53 059 182)
Total changes		(53 059 182)	(53 059 182)
Balance at 30 June 2017		**1 241 533 220**	**1 241 533 220**

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* See Note 48 & 49

Cash Flow Statement

	Notes	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Property rates and grants		111 035 382	93 601 794
Sale of goods and services		80 107 801	92 611 842
Interest revenue		9 606 973	1 153 239
Other receipts		4 863 145	6 783 557
		205 613 301	194 150 432
Payments			
Employee costs		(80 495 651)	(75 490 081)
Finance costs		(7 272 797)	(1 286 685)
Payments to suppliers		(91 576 805)	(94 013 487)
		(179 345 253)	(170 790 253)
Net cash flows from operating activities	36	**26 268 048**	**23 360 179**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(25 597 720)	(21 335 974)
Proceeds from sale of property, plant and equipment	10	528 552	219 679
Net cash flows from investing activities		**(25 069 168)**	**(21 116 295)**
Cash flows from financing activities			
Borrowings repaid		-	(482 475)
Finance lease payments		(189 346)	(773 281)
Benefits paid on post retirement benefit obligation		(2 037 292)	(2 055 080)
Net cash flows from financing activities		**(2 226 638)**	**(3 310 836)**
Net increase/(decrease) in cash and cash equivalents		**(1 027 758)**	**(1 066 952)**
Cash and cash equivalents at the beginning of the year		3 151 031	4 217 983
Cash and cash equivalents at the end of the year	7	**2 123 273**	**3 151 031**

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* See Note 48 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	182 348 767	(13 811 249)	**168 537 518**	109 638 384	**(58 899 134)**	N1
Rental of facilities and equipment	2 197 665	(121 818)	**2 075 847**	2 162 965	**87 118**	Ins
Income from agency services	2 736 810	1 932 500	**4 669 310**	3 105 430	**(1 563 880)**	Ins
Interest revenue	9 578 785	75 285	**9 654 070**	9 606 973	**(47 097)**	Ins
Fair value adjustments	-	-	**-**	2 109 000	**2 109 000**	N2
Gains on disposal of assets	-	-	**-**	493 930	**493 930**	
Sundry fees and income	876 900	8 075 225	**8 952 125**	1 384 428	**(7 567 697)**	N3
Total revenue from exchange transactions	**197 738 927**	**(3 850 057)**	**193 888 870**	**128 501 110**	**(65 387 760)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	26 366 218	14 633 782	**41 000 000**	36 434 346	**(4 565 654)**	N4
Transfer revenue						
Government grants & subsidies	46 186 350	6 192 227	**52 378 577**	77 247 985	**24 869 408**	N5
Fines	291 300	324 980	**616 280**	279 428	**(336 852)**	Ins
Total revenue from non-exchange transactions	**72 843 868**	**21 150 989**	**93 994 857**	**113 961 759**	**19 966 902**	
Total revenue	**270 582 795**	**17 300 932**	**287 883 727**	**242 462 869**	**(45 420 858)**	
Expenditure						
Employee related costs	(74 681 390)	1 125 488	**(73 555 902)**	(75 852 514)	**(2 296 612)**	Ins
Remuneration of councillors	(6 086 160)	(2 257 020)	**(8 343 180)**	(6 828 354)	**1 514 826**	N6
Depreciation and amortisation	(62 644 256)	-	**(62 644 256)**	(61 177 971)	**1 466 285**	Ins
Impairment loss	(6 713 306)	(4 137 406)	**(10 850 712)**	(20 517 828)	**(9 667 116)**	N7
Finance costs	(670 984)	(1 771 529)	**(2 442 513)**	(11 421 724)	**(8 979 211)**	N8
Lease rentals on operating lease	(832 814)	(552 407)	**(1 385 221)**	(1 129 507)	**255 714**	Ins
Repairs and maintenance	(7 242 803)	3 302 803	**(3 940 000)**	(4 292 059)	**(352 059)**	Ins
Bulk purchases	(73 200 000)	-	**(73 200 000)**	(61 485 424)	**11 714 576**	N9
Actuarial losses	-	-	**-**	(166 292)	**(166 292)**	Ins
General Expenses	(48 098 928)	(9 711 848)	**(57 810 776)**	(52 650 378)	**5 160 398**	N10
Total expenditure	**(280 170 641)**	**(14 001 919)**	**(294 172 560)**	**(295 522 051)**	**(1 349 491)**	
Deficit for the year	**(9 587 846)**	**3 299 013**	**(6 288 833)**	**(53 059 182)**	**(46 770 349)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

N1: The budget for revenue from service delivery was overstated.

N2: The Municipality adopted the fair value model for the treatment of investment properties for the the first time this year. For this reason, fair value adjustments on investment properties was not included in the budget.

N3: Budget included an amount for an actuarial gain due to the economic client, this gain was not realised.

N4: Revenue from property rates was incorrectly adjusted in the adjustments budget.

N5: The Municipality received additional MIG and INEP funding.

N6: All councillor's salaries are in line with the upper limits set applicable government gazette.

N7: During the budget process, collection rates were lower than expected resulting in a higher debt impairment.

N8: Finance costs relating to the Eskom account amounts to R6.5mil.

N9: The bulk purchases' budget included VAT and interest.

N10: A budget was made available for an internallly funded project for which no expenses were incurred in the current year.

Ins: Variance considered not to be material for the municipality. Refer for to accounting policy note 1.25 for more information.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 48 Changes in accounting policy.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Refer to note 44 for additional information on the going concern at the municipality.

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange and non-exchange transactions

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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

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

The municipality considers the following events or circumstanses as possible indications that an impairment may have occurred:
- Damaged or obsolete items of inventory not written off yet.
- Long outstanding debtors or debtors with a low collection rate.
- Indigent debtor balances.
- Property, plant and equipment that are damaged, missing or stolen which have not yet been disposed.
- Damaged or derilict buildings and investment properties.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provision for rehabilitation of landfill sites

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.

The uncertainties and assumptions attached to this provision are listed as follows:
- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Useful lives of Property, Plant and Equipment

The municipality depreciates its property, plant and equipment 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.

At each reporting date the management assesses the assets for any indication that the municipality's expectations about the residual values and the useful lives of assets have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Determination of deemed cost for Property, plant and equipment and Heritage Assets

In the absence of an invoice to support the purchase of an asset, those assets have been brought into account using the deemed cost. Deemed costs were determined by obtaining the market value of the asset in the current financial year and adjusting the market value using CPI to establish the current replacement cost at measurement date, namely 1 July 2015. The current replacement cost was adjusted to take into account the condition and age of the asset at measurement date using the using the depreciated replacement cost method. For heritage assets, current replacement cost was used and adjusted (if required) after an assessment for impairment in terms of the heritage assets accounting policy.

1.3 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

1.4 Financial instruments

Classification

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

Class	**Category**
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors from exchange transactions	Financial asset measured at amortised cost

1.4 Financial instruments (continued)

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

1.4 Financial instruments (continued)

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

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

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Presentation

Gains or losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Impairment of cash-generating assets

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

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

Refer to note 1.9 for the accounting treatment of non-cash generating assets.

Identification

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

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

Value in use

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

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

1.5 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of impairment loss

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

1.5 Impairment of cash-generating assets (continued)

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.6 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	20 to 30 years
Landfill sites	30 years
Plant and machinery	5 to 10 years
Furniture and fittings	5 to 7 years
Motor vehicles	7 to 10 years
Office equipment	5 to 7 years
Computer equipment	5 to 7 years
Infrastructure	4 to 80 years
Community	10 to 30 years

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

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

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- The use of the asset has changed, because of the following:
- The municipality has changed the manner in which asset is used.
- The municipality has changed the utilisation rate of the asset.
- The municipality has made a decision to dispose of the asset in a future reporting period(s) anf that this decision will change the expected period over which the asset will be used.
- Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- Legal or similar limits placed on the use of the asset have changed.
- The asset was idle or retired from use during the reporting period.
- The asset was idle or retired from use during the reporting period.
- The asset is approaching the end of its previously expected useful life.

1.7 Property, plant and equipment (continued)

- Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- The asset is assessed as being impaired.
- Other indicators which may indicate a change in useful life or residual value of the asset.

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

The municipality capitalise project expenditure as work in progress as and when the expenditure occurs. Upon completion of the project, the project assets is componentised and transfered to the relevant category of property, plant and equipment, investment property or heritage assets.

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

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

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

1.8 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.8 Heritage assets (continued)

Derecognition

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

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

1.9 Impairment of non-cash generating assets

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

Refer to note 1.5 for the accounting treatment of cash generating assets.

Identification

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

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

Value in use

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.9 Impairment of non-cash generating assets (continued)

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

Reversal of an impairment loss

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

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

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

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

1.10 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies

1.11 Leases (continued)

Operating leases - The municipality as the lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance. The difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - The municipality as the lessee

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

1.12 Site restoration and dismantling cost

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

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

1.13 Provisions and contingencies

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

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

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

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

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

1.13 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.14 Employee benefits

Short-term employee benefits

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

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

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

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

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

Long-service award

The municipality has an obligation to provide long-service award benefits to all of its employees. According to the rules of the song-service award 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.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

1.15 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash. Refer to note 37 for commitments the municipality are required to honour.

1.16 Value-Added Tax

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs

Service charges relating to electricity 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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

Interest, Agency fees charged on agency services provided and rental of facilities and equipment

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

Agency fees charged on agency services provided is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The agency fees income is recognised in terms of the agency agreement.

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

1.18 Revenue from non-exchange transactions

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

Recognition

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the 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.

Measurement

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

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

Taxes

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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. Once the conditions are met, revenue is recognised and the liability is reduced. 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.

Fines

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue due to the municipality from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

1.19 Investment income

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

1.20 Borrowing costs

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

1.21 Unauthorised expenditure

Unauthorised expenditure includes:
- Overspending of the total amount appropriated in the municipality's approved budget.
- Overspending of the total amount appropriated for a vote in the approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- Spending of an allocation otherwise than in accordance with the conditions of the allocation.

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

1.22 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure in terms of section 1 of the MFMA means expenditure incurred by a municipality in contravention of, or that is not in accordance with the:

- MFMA
- Municipal Systems Act (Act No. 32 of 2000)
- Public Office-Bearers Act (Act No. 20 of 1998), or
- A requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and

which has not been condoned in terms of that Act, policy or by-law.

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

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

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

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

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

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

1.24 Related parties

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

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

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.

All related party transactions during the year and balances at reporting date is disclosed in note 50.

1.25 Budget information

The approved budget is prepared on a accrual basis. The approved budget covers the fiscal period from 1 July 2016 to 30 June 2017.

Accounting Policies

1.25 Budget information (continued)

The municipality considers budget variances greater than 10% and R 1 070 000 (approximately 0.5% of revenue) as material.

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

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and / or restated for prior period adjustments.

1.27 Share capital / contributed capital

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 16. In particular the board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the standard, affecting definitions, identification, disclosure, effective date and transitional provisions.

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

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

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

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 17. In particular the board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review affected the following areas:
- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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

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

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

GRAP 31 (as amended 2015): Intangible Assets

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 31. In particular the board agreed to:
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP 103 (as amended 2015): Heritage Assets

Based on the feedback received as part of the post-implementation review, the Accounting Standards Board agreed to reconsider certain principles in GRAP 103. In particular the board agreed to:

- Review the principles and explanations related to the distinction between heritage assets and property, plant and equipment.
- Consider whether an indicator-based assessments of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

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

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

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

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 110: Living and Non-living Resources

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

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

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

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

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

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

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

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

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

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

3. Inventories

	2017	2016
Fuel (Diesel and petrol)	52 532	52 532
Stores (Consumables and materials)	411 182	784 628
	463 714	**837 160**
Inventories recognised as an expense during the year	2 090 135	676 718

There were no inventory write downs during the year.

4. Receivables from exchange transactions

	2017	2016
Gross rental debtors	7 679 485	6 686 554
Less: Allowance for impairment	(5 132 840)	(4 956 470)
Net rental debtors	2 546 645	1 730 084
Prepaid expenses	575 445	-
Sundry debtors	241 682	20 380
	3 363 772	**1 750 464**

Rental debtors and sundry debtors are unsecured. Rental debtors from exchange transactions are billed monthly. No interest is charged on rental debtor accounts until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its receivables from exchange transactions as security for borrowing purposes.

In determining the recoverability of receivables from exchange transactions, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

The ageing of receivables from exchange transactions is as follows:

	2017	2016
Current (0 -30 days)	1 004 728	222 832
31 - 60 days	77 511	71 038
61 - 90 days	63 295	122 299
91 - 120 days	45 777	436 285
121 - 150 days	48 356	-
More than 151 days	2 124 105	898 010
	3 363 772	**1 750 464**

Revenue from exchange transactions past due but not impaired

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

	2017	2016
1 month past due	77 511	71 038
2 months past due	63 295	122 299
3 months past due	45 777	436 285
4 months past due	48 356	-
More than 4 months past due	2 124 105	898 010
	2 359 044	**1 527 632**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

4. Receivables from exchange transactions (continued)

Revenue from exchange transactions impaired

The amount of the provision was R (5 132 840) as of 30 June 2017 (2016: R 4 956 470).

The ageing of the provision is as follows:

	2017	2016
0 to 3 months	35 963	22 993
3 to 6 months	56 751	102 777
6 to 9 months	63 917	7 565
More than 9 months	4 976 209	4 823 135
	5 132 840	**4 956 470**

Reconciliation of the allowance for impairment of receivables from exchange transactions

	2017	2016
Balance at the beginning of the year	4 956 470	4 279 085
Adjustment to the allowance for impairment of receivables from exchange transactions	176 370	677 385
Balance at the end of the year	**5 132 840**	**4 956 470**

5. Receivables from non-exchange transactions

	2017	2016
Gross balances		
Rates	71 104 385	59 951 637
Less: Allowance for impairment		
Rates	(64 061 380)	(53 171 779)
Net balance		
Rates	7 043 005	6 779 858
Government grants and subsidies	-	573 340
	7 043 005	**7 353 198**

The ageing of receivables from non-exchange transactions is as follows:

	2017	2016
Rates		
Current (0 -30 days)	217 870	1 242 208
31 - 60 days	1 038 211	355 369
61 - 90 days	301 335	116 905
91 - 120 days	120 916	101 773
121 - 150 days	53 022	3 287
More than 151 days	5 311 651	4 960 316
	7 043 005	**6 779 858**
Government grants and subsidies		
Current (0 -30 days)	-	573 340
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 150 days	-	-
More than 151 days	-	-
	-	**573 340**

* See Note 48 & 49

	2017 R	2016 Restated* R

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2017, R 6 825 135 (2016: R 5 537 650) were past due but not impaired.

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

	2017	2016
1 month past due	1 038 211	355 369
2 months past due	301 335	116 905
3 months past due	120 916	101 773
4 months past due	53 022	3 287
More than 4 months past due	5 311 651	4 960 316
	6 825 135	**5 537 650**

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R 64 061 380 (2016: R 53 171 779) were impaired and provided for.

The ageing of these receivables is as follows:

	2017	2016
0 to 3 months	129 687	1 749 355
3 to 6 months	925 816	561 751
6 to 9 months	1 030 542	371 655
More than 9 months	61 975 335	50 489 018
	64 061 380	**53 171 779**

Reconciliation of the allowance for impairment of receivables from non-exchange transactions

	2017	2016
Balance at the beginning of the year	53 171 779	45 265 014
Adjustment to the allowance for impairment of receivables from non-exchange transactions	10 889 601	7 906 765
Balance at the end of the year	**64 061 380**	**53 171 779**

Rates are billed based on consumer choice (i.e. either monthly or annually). No interest is charged on rates accounts until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its receivables from non-exchange transactions as security for borrowing purposes.

In determining the recoverability of receivables from non-exchange transactions, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

6. Consumer debtors from exchange transactions

	2017	2016
Gross balances		
Electricity	43 592 685	15 106 009
Refuse	60 695 770	52 390 522
	104 288 455	**67 496 531**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

6. Consumer debtors from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(7 691 257)	(7 705 157)
Refuse	(59 066 158)	(51 164 949)
	(66 757 415)	**(58 870 106)**
Net balance		
Electricity	35 901 428	7 400 852
Refuse	1 629 612	1 225 573
	37 531 040	**8 626 425**

The ageing of consumer debtors from exchange transactions is as follows:

Electricity		
Current (0 -30 days)	6 264 489	2 865 971
31 - 60 days	3 167 959	995 858
61 - 90 days	2 482 063	630 918
91 - 120 days	2 691 172	2 073 048
121 - 150 days	1 089 255	1 723
More than 151 days	20 206 490	833 334
	35 901 428	**7 400 852**
Refuse		
Current (0 -30 days)	685 335	601 173
31 - 60 days	133 532	59 291
61 - 90 days	93 634	45 056
91 - 120 days	80 513	177 707
121 - 150 days	44 277	902
More than 151 days	592 321	341 444
	1 629 612	**1 225 573**

Consumer debtors from exchange transactions past due but not impaired

At 30 June 2017, R 30 581 216 (2016: R 5 171 686) were past due but not impaired.

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

1 month past due	3 301 491	1 055 149
2 months past due	2 575 697	675 974
3 months past due	2 771 685	2 250 755
4 months past due	1 133 532	2 625
More than 4 months past due	20 798 811	1 187 183
	30 581 216	**5 171 686**

* See Note 48 & 49

	2017 R	2016 Restated* R

6. Consumer debtors from exchange transactions (continued)

Consumer debtors from exchange transactions impaired

As of 30 June 2017, consumer debtors from exchange transactions of R 66 757 415 (2016: R 58 870 106) were impaired and provided for.

The ageing of these consumer debtors is as follows:

	2017 R	2016 Restated* R
0 to 3 months	1 597 359	3 643 108
3 to 6 months	1 639 395	6 531 907
6 to 9 months	1 644 672	1 094 438
Over 6 months	61 875 989	47 600 653
	66 757 415	**58 870 106**

Reconciliation of the allowance for impairment of consumer debtors

	2017 R	2016 Restated* R
Balance at beginning of the year	58 870 106	50 260 572
Adjustment to the allowance for impairment of consumer debtors from exchange transactions	7 887 309	8 609 534
Balance at the end of the year	**66 757 415**	**58 870 106**

Consumer debtors from exchange transactions are billed monthly. No interest is charged on consumer debtor accounts until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its consumer debtors from exchange transactions as security for borrowing purposes.

In determining the recoverability of consumer debtors from exchange transactions, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Bank balances	1 608 988	2 667 641
Short-term deposits	514 285	483 390
	2 123 273	**3 151 031**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	1 July 2015	30 June 2017	30 June 2016	1 July 2015
First National Bank - 51980028125	1 251 428	1 446 424	2 200 455	1 506 292	2 290 351	2 534 243
First National Bank - 51981035195	102 696	383 102	42 732	102 696	377 289	42 732
First National Bank - 62483143493	26 664	24 990	23 001	26 664	24 990	23 001
ABSA Bank - 9274923100	158 052	149 167	141 509	158 052	149 167	141 509
ABSA Bank - 9264494272	134 785	127 652	121 529	134 785	127 652	121 529
ABSA Bank - 9247070027	64 661	61 240	58 285	64 661	61 240	58 285
Standard Bank of South Africa - 288553187004	-	40 440	39 353	-	40 440	39 353
Standard Bank of South Africa - 288553187005	-	26 451	1 248 660	-	26 451	1 248 660
Standard Bank of South Africa - 288553187006	-	41 538		-	41 538	
Standard Bank of South Africa - 288553187007	-	2 921		-	2 921	
Standard Bank of South Africa - 288553187010	120 765	-	-	120 765	-	-
Nedbank Limited - 08851015	9 358	8 992	8 671	9 358	8 992	-
Total	**1 868 409**	**2 312 917**	**3 884 195**	**2 123 273**	**3 151 031**	**4 209 312**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017	2016 Restated*
	R	R

8. Investment property

	2017			2016		
	Fair value	Accumulated impairment	Fair value less impairments	Fair value	Accumulated impairment	Fair value less impairments
Investment property	39 934 500	-	39 934 500	37 825 500	-	37 825 500

Reconciliation of investment property - 2017

	Opening fair value less impairments	Fair value adjustments	Closing fair value less impairments
Investment property	37 825 500	2 109 000	39 934 500

Reconciliation of investment property - 2016 restated

	Opening fair value less impairments	Fair value adjustments	Closing fair value less impairments
Investment property	37 825 500	-	37 825 500

Details of valuation

The effective date of the revaluations was 30 June 2017. Fair valuations were performed by Engnet Solutions, who contracted an independent valuer, Mr Stefan Rudman, ND Real Estate (Property Valuations), who is registered with the Professional Valuers Council, Registration Number 3693. Mr Stefan Rudman and Engnet Solutions are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Based on the nature of the properties, different valuation methods were used. For vacant land, the comparable sales method of valuation was used. For sports clubs the replacement cost depreciation method of valuation was used, while for properties on which rental are charged, the income capitalisation method of valuation was used. Various assumptions are used for valuating the properties and these valuation certificates are available for inspecion at the municipality. These assumptions are based on current market conditions.

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property. No impairment losses have been recognised on investment property of the municipality at the reporting date.

Amounts recognised in surplus or deficit

	2017	2016
Rental revenue from investment property	1 007 526	916 112
From investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	2 113 367	2 084 182
Repairs and maintenance	345 344	256 599
	2 458 711	**2 340 781**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

8. Investment property (continued)

From investment property that did not generate rental revenue

Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	-

9. Heritage assets

	2017			2016		
	Deemed cost	Accumulated impairment losses	Carrying value	Deemed cost	Accumulated impairment losses	Carrying value
Historical buildings	2 225 000	-	2 225 000	2 225 000	-	2 225 000

Reconciliation of heritage assets - 2017

	Opening balance	Total
Historical buildings	2 225 000	2 225 000

Reconciliation of heritage assets - 2016 restated

	Opening balance	Total
Historical buildings	2 225 000	2 225 000

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal. There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements. There are no heritage assets pledged as security for liabilities. No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

10. Property, plant and equipment

	2017			2016		
	Deemed cost	Accumulated depreciation and accumulated impairment	Carrying value	Deemed cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	35 849 979	-	35 849 979	35 849 979	-	35 849 979
Buildings	142 661 407	(11 044 048)	131 617 359	142 661 408	(5 529 578)	137 131 830
Plant and machinery	1 708 642	(523 412)	1 185 230	1 305 472	(235 131)	1 070 341
Furniture and fittings	4 183 933	(1 468 455)	2 715 478	4 110 104	(733 348)	3 376 756
Motor vehicles	15 157 593	(5 626 408)	9 531 185	14 257 643	(2 795 337)	11 462 306
Computer equipment	3 733 170	(1 294 907)	2 438 263	4 588 776	(1 926 716)	2 662 060
Infrastructure	1 135 079 018	(95 344 184)	1 039 734 834	1 115 318 642	(47 635 385)	1 067 683 257
Community	85 647 866	(6 474 345)	79 173 521	85 647 867	(3 241 601)	82 406 266
Landfill sites	27 267 010	(27 267 010)	-	25 702 460	(25 702 460)	-
Work in progress	33 651 372	-	33 651 372	30 365 054	-	30 365 054
Total	**1 484 939 990**	**(149 042 769)**	**1 335 897 221**	**1 459 807 405**	**(87 799 556)**	**1 372 007 849**

* See Note 48 & 49

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	35 849 979	-	-	-	-	-	35 849 979
Buildings	137 131 830	-	-	-	(5 514 471)	-	131 617 359
Plant and machinery	1 070 341	410 740	(4 921)	-	(290 930)	-	1 185 230
Furniture and fittings	3 376 756	110 510	(24 454)	-	(747 334)	-	2 715 478
Motor vehicles	11 462 306	899 950	-	-	(2 831 071)	-	9 531 185
Computer equipment	2 662 060	634 071	(5 247)	-	(852 621)	-	2 438 263
Infrastructure	1 067 683 257	-	-	19 760 376	(47 708 799)	-	1 039 734 834
Community	82 406 266	-	-	-	(3 232 745)	-	79 173 521
Landfill sites	-	1 564 550	-	-	-	(1 564 550)	-
Work in progress	30 365 054	23 046 694	-	(19 760 376)	-	-	33 651 372
	1 372 007 849	**26 666 515**	**(34 622)**	**-**	**(61 177 971)**	**(1 564 550)**	**1 335 897 221**

Reconciliation of property, plant and equipment - 2016 restated

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	35 849 979	-	-	-	-	-	35 849 979
Buildings	142 661 408	-	-	-	(5 529 578)	-	137 131 830
Plant and machinery	1 259 132	46 340	-	-	(235 131)	-	1 070 341
Furniture and fittings	4 006 379	103 725	-	-	(733 348)	-	3 376 756
Motor vehicles	14 257 643	-	-	-	(2 795 337)	-	11 462 306
Computer equipment	3 394 257	592 418	-	-	(1 324 615)	-	2 662 060
Infrastructure	1 115 318 642	-	-	-	(47 635 385)	-	1 067 683 257
Community	85 647 867	-	-	-	(3 241 601)	-	82 406 266
Landfill sites	-	-	-	-	-	-	-
Work in progress	9 771 563	20 593 491	-	-	-	-	30 365 054
	1 412 166 870	**21 335 974**	**-**	**-**	**(61 494 995)**	**-**	**1 372 007 849**

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

10. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

IT equipment	-	155 947

Reconciliation of work-in-progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	20 485 900	9 879 154	30 365 054
Additions/capital expenditure	13 408 133	9 638 561	23 046 694
Transferred to completed items	(19 760 376)	-	(19 760 376)
	14 133 657	**19 517 715**	**33 651 372**

Reconciliation of work-in-progress - 2016 restated

	Included within Infrastructure	Included within Community	Total
Opening balance	7 248 061	2 523 502	9 771 563
Additions/capital expenditure	13 237 839	7 355 652	20 593 491
	20 485 900	**9 879 154**	**30 365 054**

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.

11. Investments in controlled entities

Name of entity	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Mmotlie	- %	100 %	-	100

The carrying amounts of controlled entities are shown net of impairment losses. The entity was deregistered during the current year.

12. Payables from exchange transactions

Trade accruals	69 065 007	44 321 076
Credit balances in debtors	10 488 911	3 314 884
Related party payables	-	100
Deposits received	1 289 241	1 114 104
Accrued leave pay	3 307 334	2 874 644
Accrued thirteenth cheque	2 019 916	1 894 378
Refund(s) due to National Treasury	1 361 067	1 361 067
Other payroll accruals	133 009	8 020
Other payables	3 206 508	2 988 600
	90 870 993	**57 876 873**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. 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 policies in place to ensure that all payables are paid within the credit timeframe. Credit balances in debtors relates to overpaid debtors accounts.

* See Note 48 & 49

	2017 R	2016 Restated* R

12. Payables from exchange transactions (continued)

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date. Accrued thirteenth cheque relates to the thirteenth cheque payable annually by the municipality. The accrual is an estimate of the amount due at the reporting date.

Other payables consists of unidentified deposits received by the municipality from account holders.

13. VAT payable

	2017	2016
VAT provided for on debtors	15 726 445	9 287 704
VAT provided for on creditors	(6 663 432)	(4 455 171)
VAT due from the South Africa Revenue Service	2 711 977	5 197 327
	11 774 990	**10 029 860**

No interest is payable to the SARS if the VAT is paid over timeously, however interest for late payments is charged according to the SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

14. Consumer deposits

	2017	2016
Electricity	1 324 396	1 237 088

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid by the municipality on consumer deposits held.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Department of sport, recreational arts and culture: Libraries grant	1 051 210	934 304
Lotto grant	-	2 187 241
Municipal infrastructure grant	6 723 081	-
Integrated National Electrification Program grant	3 000 285	-
	10 774 576	**3 121 545**

Movement during the year

	2017	2016
Balance at the beginning of the year	3 121 545	5 916 121
Additions during the year	84 901 016	65 802 764
Income recognition during the year	(77 247 985)	(68 597 340)
	10 774 576	**3 121 545**

See note 26 for reconciliation of grants received.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Rehabilitation of landfill site	24 831 540	1 793 810	26 625 350

* See Note 48 & 49

	2017	2016 Restated*
	R	R

16. Provisions (continued)

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Rehabilitation of landfill site	22 996 390	1 835 150	24 831 540

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2017 by technical specialists, ZAQ Consultants and Actuaries, using the the estimated cost of rehabilitation of the landfill sites. The closure licence for the Cradock landfill site was issued on 16 March 2015 and the closure licence for Middleburg landfill site was issued on 24 March 2015 by the department of Economic Development, Environmental Affairs and Tourism.

	Rehabilitation Cost
Cradock Landfill (Due to be performed)	10 695 050
Middelburg Landfill (Due to be performed)	15 930 300
	26 625 350

17. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	-	189 127
	-	189 127
less: future finance charges	-	(3 708)
Present value of minimum lease payments	-	**185 419**
Present value of minimum lease payments due		
- within one year	-	185 419

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 2 to 3 years. The borrowing rate on office equipment was 14.87% (2016: 14.87%). Interest rates are linked to the prime lending rate. No arrangements have been entered into for contingent rent. During the year the leases came to an end and the assets were leased on a month to month basis for the remainder of the year.

18. Employee benefit obligations

Long-service awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

At 30 June 2017, 322 (2016: 161) employees were eligible for long-service Awards.

The independent valuers, ZAQ Consultants and Actuaries ("ZAQ") have been engaged to carry out a GRAP 25: Employee benefits actuarial valuation of the municipality's liability as at 30 June 2017 arising out of the long-service awards to be awarded to qualifying in-service employees.

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

18. Employee benefit obligations (continued)

Long-service awards obligation

	2017	2016
Balance at the beginning of the year	(3 944 000)	(3 575 000)
Current service costs	(501 000)	(444 000)
Interest cost	(406 000)	(325 000)
Benefits paid	396 000	414 000
Actuarial gains / (losses)	58 000	(14 000)
Balance at the end of the year	**(4 397 000)**	**(3 944 000)**

Assumptions

Key assumptions used

	2017	2016
Discount Rate	8.66 %	8.96 %
Consumer Price Inflation	6.09 %	6.13 %
Normal Salary Increase Rate	7.08 %	7.13 %
Net Effective Discount Rate	1.15 %	1.46 %

Employee information for year ended 30 June 2017	Male	Female	Total
Number of active employees	226	96	322
Salary weighted average age (Years)	44.67	42.71	44.05
Weighted average past service (Years)	10.58	11.69	11.17

Employee information for year ended 30 June 2016	Male	Female	Total
Number of active employees	222	96	318
Salary weighted average age (Years)	44.88	42.38	44.05
Weighted average past service (Years)	10.81	11.91	11.71

Sensitivity

In order to illustrate the sensitivity as a result of changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in the normal salary inflation

Change in assumed level of withdrawal for year ended 30 June 2017	20% increase	20% decrease
Effect on the interest cost	(22 000)	25 000
Effect on the service cost	(40 000)	46 000
Effect on long-service award obligation	(196 000)	220 000

Change in normal salary inflation for year ended 30 June 2017	1% increase	1% decrease
Effect on the interest cost	31 000	(28 000)
Effect on the service cost	43 000	(39 000)
Effect on long-service award obligation	279 000	(254 000)

Change in assumed level of withdrawal for year ended 30 June 2016 restated	20% increase	20% decrease
Effect on the interest cost	(19 000)	23 000
Effect on the service cost	(37 000)	44 000
Effect on long-service award obligation	(174 000)	196 000

Change in normal salary inflation for year ended 30 June 2016 restated	1% increase	1% decrease
Effect on the interest cost	28 000	(25 000)
Effect on the service cost	39 000	(34 000)
Effect on long-service award obligation	255 000	(231 000)

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

18. Employee benefit obligations (continued)

Amounts for the current and previous three years are as follows:

	2017 R	2016 Restated R	2015 Restated R	2014 Restated R
Long-service award obligation	(4 397 000)	(3 944 000)	(3 575 000)	(3 271 000)

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement. The municipality is thus liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The independent valuers, ZAQ have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2017 arising out of the post retirement medical aid plan awarded to qualifying in-service employees.

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

	2017	2016
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(41 281 000)	(37 958 000)

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

	2017	2016
Balance at the beginning of the year	(37 958 000)	(37 477 000)
Benefits paid	1 641 292	1 641 080
Current service cost	(1 001 000)	(1 141 000)
Interest cost	(3 739 000)	(3 414 000)
Actuarial (losses) / gains	(224 292)	2 432 920
Balance at the end of the year	**(41 281 000)**	**(37 958 000)**

Key assumptions used

Assumptions used at the reporting date:

	2017	2016
Discount rates used	8.49 %	9.85 %
Expected rate of return on assets	5.93 %	8.13 %
Expected rate of return on reimbursement rights	6.93 %	9.13 %
Actual return on reimbursement rights	1.46 %	0.66 %

The nominal and real zero curves as at 30 June 2017 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period.

Employee assumptions

Current (In Service) Members - 2017	Male	Female	Total
Number of active employees	77	55	132
Subsidy weighted average age	50.5	46.4	48.7
Subsidy weighted average past service	15.4	12.7	14.2
Number of spouses	21	16	37
Average monthly subsidy payable during retirement	1 690	1 860	1 760

* See Note 48 & 49

	2017	2016 Restated*
	R	R

18. Employee benefit obligations (continued)

Current (In Service) Members - 2016	Male	Female	Total
Number of active employees	70	51	121
Subsidy weighted average age	49.0	43.9	46.8
Subsidy weighted average past service	14.6	12.9	13.9
Number of spouses	25	12	37
Average monthly subsidy payable during retirement	1 620	1 660	1 640

Continuation Members (Pensioners) - 2017	Male	Female	Total
Number of continuation members	22	19	41
Subsidy weighted average age	73.6	74.4	74.0
Average monthly subsidy	3 420	3 340	3 390

Continuation Members (Pensioners) - 2016	Male	Female	Total
Number of continuation members	26	23	25
Subsidy weighted average age	72.4	73.5	72.8
Average monthly subsidy	2 880	2 030	2 480

Sensitivity

In order to illustrate the sensitivity as a result of changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in the medical aid inflation

Change in mortality rate - 2017	20% increase	20% decrease
Effect on the interest cost	354 000	(448 000)
Effect on the service cost	92 000	(113 000)
Effect on post retirement medical aid obligation	3 428 000	(4 346 000)

Change in mortality rate - 2016	20% increase	20% decrease
Effect on the interest cost	321 000	(408 000)
Effect on the service cost	93 000	(117 000)
Effect on post retirement medical aid obligation	3 183 000	(4 046 000)

Change in medical aid inflation - 2017	1% increase	1% decrease
Effect on the interest cost	(563 000)	470 000
Effect on the service cost	(240 000)	188 000
Effect on post retirement medical aid obligation	(5 415 000)	4 515 000

Change in medical aid inflation - 2016	1% increase	1% decrease
Effect on the interest cost	(552 000)	455 000
Effect on the service cost	(254 000)	195 000
Effect on post retirement medical aid obligation	(5 429 000)	4 484 000

Amounts for the current and previous four years are as follows:

	2017	2016	2015	2014	2013
	R	R	R	R	R
Defined benefit obligation	41 281 000	37 958 000	37 477 000	38 605 000	38 919 069
Experience adjustments on plan liabilities	(224 292)	2 432 920	4 695 637	-	2 312 113

* See Note 48 & 49

	2017	2016
		Restated*
	R	R

18. Employee benefit obligations (continued)

Assuming that the post-employment medical aid subsidy policy stay the same and that the actuarial assumptions are borne out in practice the municipality's unfunded accrued liability and future service cost can be projected as follows:

	2018	2019	2020
	R	R	R
Defined benefit obligation	44 467 000	48 453 000	53 100 000
Current Service Cost	1 054 000	1 161 000	1 279 000
Interest Cost	4 160 000	4 505 000	4 924 000
Benefits Paid	2 028 000	1 680 000	1 556 000
	51 709 000	**55 799 000**	**60 859 000**

19. Service charges

	2017	2016
Sale of electricity	89 905 725	75 487 256
Refuse removal	19 732 659	17 685 441
	109 638 384	**93 172 697**

20. Rental of facilities and equipment

	2017	2016
Premises		
Premises	1 470 772	1 329 588
Venue hire	301 021	274 238
	1 771 793	**1 603 826**
Garages and parking		
Parking rental	553	684
Facilities and equipment		
Rental of facilities	87 380	144 745
Rental of equipment	297 279	287 769
Vehicle hire	5 960	11 643
	390 619	**444 157**
	2 162 965	**2 048 667**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

21. Interest revenue

	2017	2016
Bank	670 275	309 519
Interest charged on consumer debtors and arrear rates	8 936 698	5 707 080
	9 606 973	**6 016 599**

22. Actuarial adjustments, lease rentals on operating leases and gains / losses on disposal of assets

	2017	2016
Actuarial (losses) / gains		
Actuarial gains / (losses) on the post retirement medical benefit obligation	(224 292)	2 432 920
Actuarial gains / (losses) on the long service award	58 000	(14 000)
	(166 292)	**2 418 920**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

22. Actuarial adjustments, lease rentals on operating leases and gains / losses on disposal of assets (continued)

	2017	2016
Operating lease charges		
Equipment	1 129 507	708 083
Gain on sale of property, plant and equipment	493 930	219 679

23. Fair value adjustments

	2017	2016
Investment property (Fair value model)	2 109 000	-

24. Sundry fees and income

	2017	2016
Administration fees received	83 252	75 539
Cemetery fees	526 983	438 007
Clearance application fees	93 013	31 792
Commission received	96 365	89 130
Connection fees	246 764	328 328
Copy fees	15 611	12 576
Plan fees	269 344	169 143
Sundry fees	53 096	68 223
	1 384 428	**1 212 738**

25. Property rates

Rates received

	2017	2016
Property rates	36 434 346	32 953 235

Valuations

	2017	2016
Residential	1 614 939 100	1 634 999 100
Commercial	392 699 000	365 710 000
State	431 945 969	431 569 969
Small holdings and farms	2 485 474 100	2 482 566 100
Public Service Infrastructure	13 099 600	13 098 600
	4 938 157 769	**4 927 943 769**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied based on consumer choice (i.e. monthly or annually) on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

26. Government grants and subsidies

Operating grants		
Equitable share	41 658 840	38 931 285
Chris Hani District Municipality grant funding	1 696 659	1 091 439
Cooperative Governance and Traditional Affairs grant	1 010 400	-
Department of Sport, Recreational Arts and Culture: Libraries grant	2 393 094	2 172 784
Expanded public works programme integrated grant	1 479 000	1 308 000
Finance management grant	1 810 000	1 675 000
Municipal system improvement grant	-	930 000
National Lottery grant	2 187 241	-
Skills Education Training Authority (SETA) grant	117 117	18 107
	52 352 351	**46 126 615**
Capital grants		
Integrated National Electrification Program grant	8 249 715	5 000 000
Municipal infrastructure grant	16 645 919	17 470 725
	24 895 634	**22 470 725**
	77 247 985	**68 597 340**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All indigent households receive 50 kWh electricity free every month. No funds have been withheld.

All registered indigents receive a monthly subsidy of R 309 (2016: R 278), which is funded from the grant.

Chris Hani District Municipality grant funding

Balance unspent at the beginning of the year	(573 340)	(1 481 901)
Current-year receipts	2 269 999	2 000 000
Conditions met - transferred to revenue	(1 696 659)	(1 091 439)
Balance overspent at the end of the year	**-**	**(573 340)**

Conditions still to be met (see note 15).

Cooperative Governance and Traditional Affairs grant

Balance unspent at the beginning of the year	-	-
Current-year receipts	1 010 400	-
Conditions met - transferred to revenue	(1 010 400)	-
Balance unspent at the end of the year	**-**	**-**

Department of Sport, Recreational Arts and Culture: Libraries grant

Balance unspent at the beginning of the year	934 304	597 088
Current-year receipts	2 510 000	2 510 000
Conditions met - transferred to revenue	(2 393 094)	(2 172 784)
Balance unspent at the end of the year	**1 051 210**	**934 304**

All conditions attached to this grant have not yet been met. Refer to note 15.

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

26. Government grants and subsidies (continued)

Expanded public works programme integrated grant

	2017 R	2016 Restated* R
Balance unspent at the beginning of the year	-	-
Current-year receipts	1 479 000	1 308 000
Conditions met - transferred to revenue	(1 479 000)	(1 308 000)
Balance unspent at the end of the year	-	-

Finance management grant

	2017 R	2016 Restated* R
Balance unspent at the beginning of the year	-	-
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
Balance unspent at the end of the year	-	-

Municipal system improvement grant

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

National Lottery grant

	2017 R	2016 Restated* R
Balance unspent at the beginning of the year	2 187 241	2 187 241
Conditions met - transferred to revenue	(2 187 241)	-
Balance unspent at the end of the year	-	**2 187 241**

All conditions attached to this grant have been met in the current year. Refer to note 15.

Skills Education Training Authority (SETA) grant

	2017 R	2016 Restated* R
Balance unspent at the beginning of the year	-	-
Current-year receipts	117 117	18 107
Conditions met - transferred to revenue	(117 117)	(18 107)
Balance unspent at the end of the year	-	-

Integrated National Electrification Program grant

	2017 R	2016 Restated* R
Balance unspent at the beginning of the year	-	-
Current-year receipts	11 250 000	5 000 000
Conditions met - transferred to revenue	(8 249 715)	(5 000 000)
Balance unspent at the end of the year	**3 000 285**	-

All conditions attached to this grant have not yet been met. Refer to note 15.

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

26. Government grants and subsidies (continued)

Municipal infrastructure grant

Balance unspent at the beginning of the year	-	3 131 792
Current-year receipts	23 369 000	15 700 000
Conditions met - transferred to revenue	(16 645 919)	(17 470 725)
Amount owing to National Treasury	-	(1 361 067)
Balance unspent at the end of the year	**6 723 081**	**-**

All conditions attached to this grant have not yet been met. Refer to note 15.

27. Revenue

Actuarial gains	-	2 418 920
Fair value adjustments	2 109 000	-
Fines	279 428	181 571
Gain on disposal of assets	493 930	219 679
Government grants and subsidies	77 247 985	68 597 340
Interest revenue	9 606 973	6 016 599
Licences and permits	3 105 430	2 652 893
Property rates	36 434 346	32 953 235
Rental of facilities and equipment	2 162 965	2 048 667
Service charges	109 638 384	93 172 697
Sundry fees and income	1 384 428	1 212 738
	242 462 869	**209 474 339**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Actuarial gains	-	2 418 920
Fair value adjustments	2 109 000	-
Gain on disposal of assets	493 930	219 679
Interest revenue	9 606 973	6 016 599
Licences and permits	3 105 430	2 652 893
Rental of facilities and equipment	2 162 965	2 048 667
Service charges	109 638 384	93 172 697
Sundry fees and income	1 384 428	1 212 738
	128 501 110	**107 742 193**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	36 434 346	32 953 235
Transfer revenue		
Fines	279 428	181 571
Government grants and subsidies	77 247 985	68 597 340
	113 961 759	**101 732 146**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

28. Employee related costs

Basic	50 029 276	46 919 816
Performance and other bonuses	3 351 412	3 126 481
Medical aid - company contributions	2 816 692	2 678 210
UIF	504 647	466 469
SDL	660 628	613 109
Leave pay provision charge	571 900	775 092
Pension contributions	7 319 442	6 975 203
Travel, motor car, accommodation and subsistence allowances	1 657 030	1 952 357
Overtime payments	3 918 496	3 639 977
Long-service awards	105 000	30 000
Acting allowances	13 084	5 780
Housing benefits and allowances	954 110	964 490
Adjustments to post retirement medical obligation	1 001 000	1 141 000
Group life insurance	14 140	14 848
Bargaining council levy	29 918	28 490
Other allowances	2 905 739	2 612 691
	75 852 514	**71 944 013**

Refer to note 50 for remuneration paid to section 57 managers.

29. Remuneration of councillors

Executive Mayor	884 405	819 203
Speaker	675 953	643 249
Executive committee members	1 939 895	1 639 476
Councillors	3 071 561	3 041 388
	6 571 814	6 143 316
Ward councillors allowances	256 540	806 990
	6 828 354	**6 950 306**

In-kind benefits

The Executive Mayor, Speaker and Chief Whip are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.

Remuneration of councillors includes the total earnings for the annum plus the employer contributions for the 2017 financial year.

Refer to note 50 for remuneration paid to councillors.

30. Depreciation

Property, plant and equipment	61 177 971	61 494 995

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

31. Impairment of assets

Receivables from exchange transactions	176 370	677 385
Receivables from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful till date.		
Receivables from non-exchange transactions	10 889 601	7 906 765
Receivables from non-exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful till date.		
Consumer debtors from exchange transactions	7 887 309	8 623 638
Consumer debtors from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful till date.		
Property, plant and equipment	1 564 548	-
Additions to the land fill sites is considered to be impaired since there is no furture economic benefit from these additions.		
	20 517 828	**17 207 788**

32. Finance costs

Trade and other payables	7 272 797	1 257 011
Finance leases	3 927	17 328
Interest on borrowings	-	29 676
Interest expense on employee benefit obligations	4 145 000	3 739 000
	11 421 724	**5 043 015**

33. Repairs and maintenance

Buildings and structures	558 971	281 465
Office equipment	183 139	178 394
Infrastructure	2 949 001	1 759 680
Vehicles	565 584	872 805
Tools and accessories	35 364	51 137
	4 292 059	**3 143 481**

34. Bulk purchases

Electricity	61 485 424	62 451 741

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

35. General expenses

Adjustment to the provision for rehabilitation of landfill sites	725 017	1 835 150
Advertising	447 048	169 301
Agency payments	2 015 086	2 032 641
Auditors remuneration	3 484 272	2 032 354
Bank charges	576 171	374 292
Commission paid	222 108	171 805
Computer expenses	693 037	848 583
Consulting and professional fees	7 819 531	3 205 306
Consumables	2 090 135	676 718
Entertainment	79 350	25 182
Free basic electricity	15 348 796	14 788 384
Income forgone	2 812 786	2 549 262
Insurance	1 037 741	1 104 119
Membership fees	2 206	380 061
Motor vehicle expenses	2 333 841	1 431 801
Other expenses	1 535 494	1 944 805
Postage and courier	511 145	744 022
Printing and stationery	298 492	556 850
Protective clothing	543 659	350 981
Refuse bags and bins	268 020	446 146
Security costs (Guarding of municipal property)	500 552	249 423
Special programs and events	5 525 423	3 108 289
Staff welfare	98 005	151 955
Telephone	1 358 271	1 626 035
Training	2 324 192	3 740 923
	52 650 378	**44 544 388**

36. Cash generated from operations

Deficit	(53 059 182)	(64 013 471)
Adjustments for:		
Depreciation	61 177 971	61 494 995
Loss on sale of assets and liabilities	(493 930)	(219 679)
Fair value adjustments	(2 109 000)	-
Interest cost on finance leases	3 927	17 328
Impairment deficit	20 517 828	17 207 788
Movements in the provision for rehabilitation of landfill sites	725 015	1 835 150
Deregistration of municipal entity	100	-
Interest cost on employee benefit obligations	4 145 000	1 585 000
Current service cost on employee benefit obligations	1 502 000	3 739 000
Actuarial gains on employee benefit obligations	166 292	(2 418 920)
Changes in working capital:		
Inventories	373 446	(124 756)
Receivables from exchange transactions	(1 789 682)	641 834
Gross consumer debtors from exchange transactions	(36 791 918)	(3 154 744)
Gross receivables from non-exchange transactions	(10 579 408)	(7 447 784)
Payables from exchange transactions	32 994 120	15 818 462
VAT	1 745 130	1 124 653
Unspent conditional grants and receipts	7 653 031	(2 794 576)
Consumer deposits	87 308	69 899
	26 268 048	**23 360 179**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Community assets	6 760 036	8 417 565
• Infrastructure assets	10 496 298	20 924 697
	17 256 334	**29 342 262**
Total capital commitments		
Already contracted for but not provided for	17 256 334	29 342 262

This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

Operating leases - as lessee (expense)

All operating leases are on a month to month basis, thus the municipality have no future commitment for leases.

38. Auditors' remuneration

Fees	3 484 272	2 032 354

39. Unauthorised expenditure

Overspending on employee related cost for the year	2 320 788	3 703 049
Overspending on remuneration of councillors for the year	-	1 281 298
Overspending on interest paid to trade creditors and employee benefit interest costs	8 979 211	4 145 060
Greater than anticipated depreciation cost for the year	-	3 751 654
Greater than anticipated impairment losses	8 102 566	10 495 012
Overspending on repairs and maintenance	347 999	-
Actuarial losses not considered in budget	166 292	-
Overspending on general expenditure	-	3 158 131
Overspending on grants and transfers	626 543	223 450
	20 543 399	**26 757 654**

40. Fruitless and wasteful expenditure

Interest on creditors	7 272 797	2 009 291

Fruitless and wasteful expenditure has been presented to council for further investigation.

41. Irregular expenditure

Balance at the beginning of the year	43 631 524	16 923 480
Add: Irregular Expenditure - current year	49 308 904	26 708 044
Irregular expenditure awaiting ratification and condonement	**92 940 428**	**43 631 524**

Irregular expenditure has been presented to council for further investigation.

* See Note 48 & 49

	2017 R	2016 Restated* R

41. Irregular expenditure (continued)

Details of additional irregular expenditure during the year

R 2 000 to R 10 000 - Various suppliers	817 471	226 154
R 10 000 to R 30 000 - Various suppliers	1 726 901	2 263 337
R 30 000 to R 200 000 - Various suppliers	4 846 117	1 638 606
More than R 200 000 - Various suppliers	41 918 415	21 684 277
Deviations reclassified	-	895 670
	49 308 904	**26 708 044**

A register containing the details of irregular expenditure is available for inspection at the municipal offices.

The municipality has been able to identify and report on irregular expenditure incurred for the current and prior two financial years. It is impracticable for the municipality to identify and report on all irregular expenditure incurred on or before the 30 June 2014 because of the absence of supporting documentation, which also resulted in those years receiving a disclaimer of opinion. Therefore the error as it relates to the completeness and accuracy of irregular expenditure have only been made for procurement during the financial years ended on or after 30 June 2014 as they affect our opening balances.

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Balance at the beginning of the year	1 597 559	2 737 190
Prior year audit fees charged in current year (excl VAT)	2 496 608	-
Current year audit fees charged in current year (excl VAT)	812 757	1 259 671
Interest charged during the year	192 001	26 186
Amount paid - current year (excl VAT)	-	-
Amount paid - previous years (excl VAT)	(3 321 758)	(2 425 488)
Balance at the end of the year	**1 777 167**	**1 597 559**

Contributions to organised local government

Balance at the beginning of the year	1 137 672	836 190
Current year subscription / fee	472 724	669 918
Amount paid - current year	-	-
Amount paid - previous years	(864 154)	(368 436)
Balance at the end of the year	**746 242**	**1 137 672**

PAYE, UIF and SDL

Balance at the beginning of the year	684 991	643 285
Current year subscription / fee	9 364 536	8 598 607
Amount paid - current year	(8 625 440)	(7 913 617)
Amount paid - previous years	(684 991)	(643 284)
Balance at the end of the year	**739 096**	**684 991**

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

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

Pension and Medical Aid Deductions

Balance at the beginning of the year	-	-
Current year subscription / fee	18 491 164	17 906 950
Amount paid - current year	(18 491 164)	(17 906 950)
Balance at the end of the year	-	-

VAT

VAT payable	11 774 990	10 029 860

Municipality is on the payment basis for VAT and submit monthly returns. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

30 June 2017	Less than 90 days R	More than 90 days R	Total R
Bene V	1 712	2 996	4 708
Bobo TE	7 806	13 660	21 466
Davids L	12 798	32 486	45 284
Desha M	2 750	5 412	8 162
Diamond C	8 023	13 376	21 399
Goniwe S	8 170	14 586	22 756
Holster S	29	-	29
Lawens BL	6 706	11 735	18 441
Lottering R	4 994	8 739	13 733
Mankamani ZA	7 726	13 259	20 985
Masawe SW	7 844	16 393	24 237
Mgeza G	6 462	11 309	17 771
Msali TM	7 486	13 100	20 586
Nortje MM	7 837	24 624	32 461
Sammy CA	813	88 593	89 406
Shweni ZR	5 990	10 820	16 810
Vorster HB	605	-	605
	97 751	**281 088**	**378 839**

30 June 2016	Less than 90 days R	More than 90 days R	Total R
Davids L	-	8 975	8 975
Masawe SW	-	2 434	2 434
Sammy CA	-	80 319	80 319
	-	**91 728**	**91 728**

Deviation from supply chain management regulations

Paragraph 12(1) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

* See Note 48 & 49

	2017 R	2016 Restated* R

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

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council. The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident	2017 R	2016 R
Emergencies	-	10 700
Sole / single supplier	401 842	60 552
Exceptional cases	181 203	181 203
Other	1 767 333	-
	2 350 378	**252 455**

43. Distribution losses

Electricity losses (units)	2017	2016
Electricity units (kWh) purchased from Eskom	66 336 711	70 021 006
Electricity units (kWh) sold to consumers	(58 910 235)	(64 124 874)
	7 426 476	**5 896 132**

Electricity losses for the financial year amounted to 11.20% (2016: 8.42%) of the electricity consumed in the area. The Rand value of these electricity losses for the current financial year is R 6 978 659 (2016: R 5 147 323).

These losses are attributable to electricity line losses within the electricity network infrastructure due to faulty meters and theft.

44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 1 241 533 220 and that the municipality's current liabilities exceed its current assets by R 90 845 501.

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

Material uncertainties regarding the going concern assumption exist due to the following:
- Significant cash flow problems of the municipality resulting in outstanding payments to creditors. The Municipality has engaged with its most significant creditor to negotiate an affordable repayment plan.
- Long outstanding receivables that are considered irrecoverable.
- The municipality is in a net current liability position, which indicates that the municipality is not liquid.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality from national and provincial government.

* See Note 48 & 49

Notes to the Annual Financial Statements

	2017 R	2016 Restated* R

45. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	3 363 772	3 363 772
Receivables from non-exchange transactions	7 043 005	7 043 005
Consumer debtors	37 531 040	37 531 040
Cash and cash equivalents	2 123 273	2 123 273
	50 061 090	**50 061 090**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	87 563 659	87 563 659
Unspent conditional grants	10 774 576	10 774 576
Consumer deposits	1 324 396	1 324 396
	99 662 631	**99 662 631**

2016 restated

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 750 464	1 750 464
Receivables from non-exchange transactions	7 353 198	7 353 198
Consumer debtors from exchange transactions	8 626 425	8 626 425
Cash and cash equivalents	3 151 031	3 151 031
	20 881 118	**20 881 118**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	55 002 229	55 002 229
Consumer deposits	1 237 088	1 237 088
Unspent conditional grants	3 121 545	3 121 545
	59 360 862	**59 360 862**

* See Note 48 & 49

Notes to the Annual Financial Statements

46. Risk management

Financial risk management

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

Market risk

Interest rate risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Services are suspended in terms of the municipality's credit policy should payment or an agreement not be made by the required date. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk:

Financial instrument	2017	2016 restated
Cash and cash equivalents	2 123 273	3 151 031
Receivables from exchange transactions	3 363 772	1 781 425
Receivables from non-exchange transactions	7 043 005	7 400 388
Consumer debtors from exchange transactions	37 531 040	8 638 830

Liquidity risk

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

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

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	87 563 659	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	55 002 229	-	-	-

Notes to the Annual Financial Statements

47. Contingencies

Contingent liabilities

The Department of Economic Development, Environmental Affairs and Tourism issued a closure license in March 2015 for both landfill sites operated by the municipality. In terms of the closure license, the municipality is authorised to decommission and rehabilitate the landfill sites. The license sets out the terms and conditions of the closure license and required actions to be taken by the municipality. Because the municipality continues to use these sites, it is exposes to risk of litigation due to damage caused to the surrounding environment and the residents of the municipal area. The extent of the risk exposure in unknown.

Inxuba Yethemba Local Municipality vs Cradock Business Forum and Great Fish River Water User's Association - The applicants are in the process of obtaining a court order which requires the Municipality to perform the land fill site rehabilitation immediately. Should the court order be successful the Municipality could be liable to pay the legal costs.

Inxuba Yethemba Local Municipality vs Susanna Salomina Holmes - This is a claim relating to a motor vehicle collision on 27 October 2014. The Plaintiff alleges that the Municipality was negligent by not maintaining the roadway in a proper manner. The matter was reported to the municipality's insurance company and it seems that the insurance policy does not cover this type of event. The matter is set down for trial on 28 May 2018. The total exposure is estimated to be R 935 281 as claimed by the Plaintiff. Legal fees are estimated to be R 150 000.

Inxuba Yethemba Local Municipality vs Strydom and Kroqwana - The Plaintiff instituted a claim against the municipality in respect of penalties it alleges the municipality raised in an unlawful manner. No trial date has been allocated and the matter seems to be capable of settlement. The total exposure is estimated to be R 800 971 as claimed by the Plaintiff. Legal fees are estimated to be R 150 000.

Inxuba Yethemba Local Municipality vs City Square Trading - The Plaintiff claims against the municipality as a Second Defendant in respect to the contract entered into by it for the supply of water and sanitation services. The claim is resisted on the basis that the function have been taken over by the District Municipality, the First Defendant herein. No trial date has been allocated and the matter seems to be capable of settlement. The total exposure is estimated to be R 5 359 088 as claimed by the Plaintiff. Legal fees are estimated to be R 300 000.

Inxuba Yethemba Local Municipality vs Nelio Benedito - The Plaintiff initiated a claim against the municipality for defamation resulting from an averred disconnection of the electricity supply to his property in Middelburg. The claim is estimated to be R 50 000. Pleadings have just closed and no court date have been allocated to date.

Contingent assets

H M Russel CC; Gordon, Verhoef & Krause (EP) (Pty) Ltd and Miltek Industries South Africa (Pty) Ltd vs Inxuba Yethemba Local Municipality - The claim emanates from damages suffered by the Municipality as a result of the failure of the town hall roof. The matter is still in its initial stages. Summons has been issued and served and pleadings have not yet been closed. The claim by the Municipality is estimated to be R 4 593 809.

Notes to the Annual Financial Statements

48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the change in accounting policy relating to the treatment of investment properties.

Investment properties

During the year, the municipality changed its accounting policy with respect to the treatment of investment properties. Previously investment properties were measured on the cost model. During the current year, the municipality adopted the fair value model for accounting for investment properties. The value of investment property have been retrospectively adjusted to account for the change in accounting policy.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2016 is as follows:

Statement of financial position

Investment properties - Land measured at cost	
Previously stated	27 102 105
Adjustment	(27 102 105)
	-

Investment properties - Buildings measured at cost	
Previously stated	18 342 010
Adjustment	(18 342 010)
	-

Investment properties measured at fair value	
Previously stated	-
Adjustment	37 825 500
	37 825 500

Statement of Financial Performance

Depreciation relating to investment property	
Previously stated	551 745
Adjustment	(551 745)
	-

Notes to the Annual Financial Statements

49. Prior period errors

During the year management appointed service providers to reconstruct the investment property register, fixed asset register, intangible asset register and the heritage asset register. The reconstruction of these registers identified errors in the previously reported results relating to investment properties, property, plant and equipment, intangible assets and heritage assets. The cumulative results of error have been disclosed below.

During the year management appointed a service provider to valued the long-service award obligation for current and previous financial year. The effect of the error have been disclosed below.

Corrections were made to individual debtor accounts resulting in changes in receivables from exchange transactions, receivables from exchange transactions and consumer debtors.

The correction of the errors results in adjustments as follows:

Statement of financial position	
(Increase) / Decrease in opening accumulated surplus	(803 467 382)
Decrease in surplus for the year	22 483 872
Decrease in receivables from non-exchange transactions	(43 311)
Decrease in receivables from exchange transactions	(47 190)
Decrease in consumer debtors	(12 405)
Decrease in investment property	(7 618 615)
Decrease in heritage assets	(3 197 185)
Increase in property, plant and equipment	800 460 791
Increase in payables from exchange transactions	(4 432)
Increase in VAT payable	(4 610 143)
Increase in employee benefit obligation	(3 944 000)
	-

Statement of Financial Performance	
Decrease in service charges and rentals	(3 527 063)
Decrease in interest received	(4 633)
Decrease in actuarial gains	(14 000)
Decrease in property rates income	(47 183)
Decrease in employee related costs	(30 000)
Increase in depreciation	(21 740 742)
Decrease in impairment losses	3 440 270
Increase in finance costs	(325 000)
Increase in repairs and maintenances	(35 333)
Increase in general expenditure	(200 188)
	(22 483 872)

Commitments

During the year management performed a review of the commitment register relating to the previous financial year. The results of the review are as follow:

	2016 Restated	Previously reported	Change
Authorised Capital Expenditure			
Already contracted for but not provided for			
Community buildings	8 417 565	9 254 744	(837 179)
Infrastructure	20 924 697	24 578 038	(3 653 341)
Total capital commitments	**29 342 262**	**33 832 782**	**(4 490 520)**

Notes to the Annual Financial Statements

49. Prior period errors (continued)

Irregular expenditure

During the year management performed a review of the irregular expenditure relating to the previous financial year. The results of the review are as follow:

Reconciliation	2016 Restated	Previously reported	Change
Balance at the beginning of the year	16 923 480	45 610 107	(28 686 627)
Add: Irregular Expenditure	26 708 044	22 048 736	4 659 308
Balance at the end of the year	**43 631 524**	**67 658 843**	**(24 027 319)**

Details of additional irregular expenditure during the year	2016 Restated	Previously reported	Change
R 2 000 to R 10 000 - Various suppliers	226 154	217 963	8 191
R 10 000 to R 30 000 - Various suppliers	2 263 337	2 302 820	(39 483)
R 30 000 to R 200 000 - Various suppliers	1 638 606	1 546 369	92 237
More than R 200 000 - Various suppliers	21 684 277	17 981 584	3 702 693
Deviations reclassified	895 670	-	895 670
	26 708 044	**22 048 736**	**4 659 308**

Unauthorised expenditure

As a result of the changes to the prior period, additional unauthorised expenditure was identified. The change in the unauthorised expenditure is as follow:

	2016 Restated	Previously reported	Change
Overspending on employee related cost and councillor remuneration for the year	4 984 347	5 095 506	(111 159)
Overspending on interest costs	4 145 060	3 870 060	275 000
Greater than anticipated impairment losses and depreciation cost	14 246 666	13 935 282	311 384
Overspending on general expenditure	3 158 131	-	3 158 131
Overspending on grants and transfers	223 450	-	223 450
	26 757 654	**22 900 848**	**3 856 806**

Heritage Assets

During the year management appointed service providers to reconstruct the heritage asset register. The reconstruction of these registers identified errors in the previously reported results relating to heritage assets.

	2016 Restated	Previously reported	Change
Conservation areas	-	338 339	(338 339)
Historical buildings	2 225 000	5 083 846	(2 858 846)
	2 225 000	**5 422 185**	**(3 197 185)**

Notes to the Annual Financial Statements

49. Prior period errors (continued)

Property, plant and equipment

During the year management appointed service providers to reconstruct the fixed asset register. The reconstruction of these registers identified errors in the previously reported results relating to property, plant and equipment.

Cost	2016 Restated	Previously reported	Change
Land	35 849 979	9 865 394	25 984 585
Buildings	142 661 408	-	142 661 408
Plant and machinery	1 305 472	5 376 252	(4 070 780)
Furniture and fittings	4 110 104	-	4 110 104
Motor vehicles	14 257 643	-	14 257 643
Computer equipment	4 588 776	-	4 588 776
Other assets	-	10 300 592	(10 300 592)
Infrastructure	1 115 318 642	650 187 247	465 131 395
Community	85 647 867	137 024 468	(51 376 601)
Landfill sites	25 702 460	25 702 460	-
Work in progress	30 365 054	47 884 114	(17 519 060)
	1 459 807 405	**886 340 527**	**573 466 878**

Accumulated depreciation	2016 Restated	Previously reported	Change
Land	-	-	-
Buildings	(5 529 578)	(913 763)	(4 615 815)
Plant and machinery	(235 131)	-	(235 131)
Furniture and fittings	(733 348)	-	(733 348)
Motor vehicles	(2 795 337)	-	(2 795 337)
Computer equipment	(1 926 716)	-	(1 926 716)
Other assets	-	(6 294 128)	6 294 128
Infrastructure	(47 635 385)	(240 639 961)	193 004 576
Community	(3 241 601)	(41 243 157)	38 001 556
Landfill sites	(25 702 460)	(25 702 460)	-
Work in progress	-	-	-
	(87 799 556)	**(314 793 469)**	**226 993 913**

Net book value	2016 Restated	Previously reported	Change
Land	35 849 979	9 865 394	25 984 585
Buildings	137 131 830	4 462 489	132 669 341
Plant and machinery	1 070 341	-	1 070 341
Furniture and fittings	3 376 756	-	3 376 756
Motor vehicles	11 462 306	-	11 462 306
Computer equipment	2 662 060	-	2 662 060
Other assets	-	4 006 464	(4 006 464)
Infrastructure	1 067 683 257	409 547 286	658 135 971
Community	82 406 266	95 781 311	(13 375 045)
Landfill sites	-	-	-
Work in progress	30 365 054	47 884 114	(17 519 060)
	1 372 007 849	**571 547 058**	**800 460 791**

Notes to the Annual Financial Statements

50. Related parties

Relationships

Controlled entities	Refer to note 11
Section 57 managers	
Municipal Manager	Tantsi, MS
Director of Local Economic Development	Jojiyasi, L
Director of Corporate Services	Sigenu, BT
Acting director of Corporate Services	Matoto, TE
Director of Community Services	Majiba, NT
Chief Finance Officer	Mulaudzi, KL
Acting Chief Financial Officers	Hanana, LS
Director of Technical Services	Ahlschlager, AR
Acting Director of Technical Services in previous year	Sipunzi, M
Members of council	
Mayor	Shweni, ZR
Previous Mayor	Goniwe, NC
Speaker	Nortje, MM
Chief Whip	Bobo, TE
Executive committee member	Davids, L
Executive committee member	Masawe, SV
Executive committee member	Mgeza, G
Previous executive committee member	Mzinzi, NG
Previous executive committee member	Zizi, LD
MPAC Chairperson	Bene, V
Councillor	Desha, M
Councillor	Diamond, C
Councillor	Featherstonehaugh, MH
Councillor	Goniwe, S
Councillor	Holster, S
Councillor	Lawens, BL
Councillor	Lottering, R
Councillor	Msali, TM
Councillor	Mankamani, ZA
Councillor	Vorster, HB
Previous councillor	Bani, Z
Previous councillor	Erasmus, FN
Previous councillor	Kruger, E
Previous councillor	Maki, NE
Previous councillor	Miners, TE
Previous councillor	Njobo, SW
Previous councillor	Saptoe, J
Previous councillor	Schulze, RH

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers / residents.

Section 57 managers

No remuneration was paid to family of Section 57 Managers. Refer below for remuneration paid to section 57 managers during the year.

Members of Council

No remuneration was paid to family of members of council. Refer below for remuneration paid to members of Council during the year.

Notes to the Annual Financial Statements

50. Related parties (continued)

Most councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

Related party balances

	2017 R	2016 R
Investments		
Mmotlie	-	100
Amounts included in payable regarding related parties		
Mmotlie	-	(100)

Remuneration of management

Mayoral committee members

2017

Position and name	Councillors' allowance R	Other allowances R	Total R
Mayor - Shweni, ZR	510 141	239 917	750 058
Previous Mayor - Goniwe, NC	85 280	49 067	134 347
Speaker - Nortje, MM	542 094	28 334	570 428
Chief Whip - Bobo, TE	384 226	151 734	535 960
Executive committee member - Davids, L	340 895	24 209	365 104
Executive committee member - Masawe, SV	277 692	115 138	392 830
Executive committee member - Mgeza, G	285 792	21 595	307 387
Previous executive committee member - Mzinzi, NG	71 064	27 938	99 002
Previous executive committee member - Zizi, LD	39 272	17 003	56 275
MPAC Chairperson - Bene, V	267 857	21 006	288 863
Councillor - Desha, M	195 552	70 645	266 197
Councillor - Diamond, C	217 363	20 520	237 883
Councillor - Featherstonehaugh, MH	157 066	81 070	238 136
Councillor - Goniwe, S	186 032	80 205	266 237
Councillor - Holster, S	217 363	20 520	237 883
Councillor - Lawens, BL	217 363	20 829	238 192
Councillor - Lottering, R	217 363	20 829	238 192
Councillor - Msali, TM	204 247	33 636	237 883
Councillor - Mankamani, ZA	217 363	53 993	271 356
Councillor - Sammy, CA	186 032	80 146	266 178
Councillor - Vorster, HB	166 301	71 789	238 090
Previous councillor - Bani, Z	38 080	3 876	41 956
Previous councillor - Erasmus, FN	28 560	13 377	41 937
Previous councillor - Kruger, E	28 560	13 377	41 937
Previous councillor - Maki, NE	38 080	3 818	41 898
Previous councillor - Miners, TE	28 560	13 358	41 918
Previous councillor - Njobo, SW	38 080	3 818	41 898
Previous councillor - Saptoe, J	28 560	13 319	41 879
Previous councillor - Schulze, RH	28 560	13 347	41 907
	5 243 398	**1 328 413**	**6 571 811**

50. Related parties (continued)

2016

Position and name	Councillors' allowance R	Other allowances R	Total R
Mayor - Goniwe, NC	524 281	294 921	819 202
Speaker - Masawe, SV	464 912	178 338	643 250
Executive committee member - Davids, L	319 868	23 918	343 786
Executive committee member - Bobo, TE	241 334	102 498	343 832
Executive committee member - Mzinzi, NG	435 890	167 997	603 887
Executive committee member - Zizi, LD	245 708	102 264	347 972
Councillor - Schulze, RH	175 465	80 058	255 523
Councillor - Sammy, CA	175 465	80 139	255 604
Councillor - Miles, CE	67 360	51 698	119 058
Councillor - Miners, TE	175 465	80 139	255 604
Councillor - Ngcingolo, NE	194 498	19 205	213 703
Councillor - Bani, Z	232 578	23 257	255 835
Councillor - Erasmus, FN	175 465	80 263	255 728
Councillor - Goniwe, S	175 465	80 061	255 526
Councillor - Kruger, E	175 465	80 263	255 728
Councillor - Maki, NE	232 578	23 026	255 604
Councillor - Saptoe, J	175 465	80 061	255 526
Councillor - Njobo, SW	232 578	23 026	255 604
Councillor - Desha, M	105 552	46 791	152 343
	4 525 392	**1 617 923**	**6 143 315**

Executive management

2017

Position and name	Salary and acting allowances R	Contributions to UIF, Medical and Pension Funds R	Allowances R	Total R
Tantsi, MS	935 454	12 479	249 107	1 197 040
Jojiyasi, L	736 157	13 444	462 176	1 211 777
Sigenu, BT	645 459	7 891	140 815	794 165
Matoto, TE (*)	99 585	20 927	158 597	279 109
Majiba, NT	597 589	8 127	217 132	822 848
Mulaudzi, KL	210 345	12 252	109 782	332 379
Hanana, LS (*)	187 910	57 733	464 199	709 842
Ahlschlager, AR	777 616	10 660	126 000	914 276
	4 190 115	**143 513**	**1 927 808**	**6 261 436**

Notes to the Annual Financial Statements

50. Related parties (continued)

2016

Position and name	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Allowances	Total
	R	R	R	R
Tantsi, MS	890 636	11 934	230 655	1 133 225
Jojiyasi, L	701 101	10 552	205 457	917 110
Sigenu, BT	760 826	10 688	233 330	1 004 844
Majiba, NT	706 503	9 742	200 201	916 446
Tukwayo, LS	260 731	3 541	63 980	328 252
Hanana, LS (*)	943 058	61 775	75 103	1 079 936
Sipunzi, M (*)	598 833	56 031	52 416	707 280
Ahlschlager, AR	185 147	2 559	30 000	217 706
	5 046 835	**166 822**	**1 091 142**	**6 304 799**

(*) These employees were only considered to be related parties during the period these employees were in an acting manager position, thus only the remuneration earned during the period in an acting manager position is disclosed.

51. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date of the financial statements other than those items already mentioned which required disclosure in the annual financial statements.