



# MATATIELE

LOCAL MUNICIPALITY

Annual Financial Statements  
for the year ended 30 June 2017

AUDITOR - GENERAL  
SOUTH AFRICA

24 JAN 2018

## General Information

### Mayoral committee

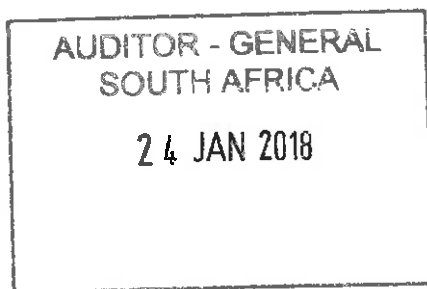
<b>Mayor</b>	M M Mbedla	(01/07/2016 - Current)
<b>Speaker</b>	N Mshuqwana	(23/08/2016 - Current)
<b>Speaker</b>	J Bosman-Magangana	(01/07/2016 - 02/08/2016)
<b>Chief Whip</b>	S Mngenela	(23/08/2016 - Current)
<b>Chief Whip</b>	P A Mohale	(01/07/2016 - 02/08/2016)
Portfolio Head: Budget and Treasury	N Ngwanya	(23/08/2016 - Current)
Portfolio Head: Budget and Treasury	P M Stuurman	(01/07/2016 - 02/08/2016)
Portfolio Head: Economic Development	N A Nkukhu	(01/07/2016 - Current)
Portfolio Head: Community Services	S Maphasa	(23/08/2016 - Current)
Portfolio Head: Community Services	M M Mbobo	(01/07/2016 - 02/08/2016)
Portfolio Head: Infrastructure Services	M Setenane	(23/08/2016 - Current)
Portfolio Head: Infrastructure Services	S Mngenela	(01/07/2016 - 02/08/2016)
Portfolio Head: Special Programmes	S Mzozoyana	(23/08/2016 - Current)
Portfolio Head: Special Programmes	N Ngwanya	(01/07/2016 - 02/08/2016)
Portfolio Head: Corporate Services	T Dyantyi	(23/08/2016 - Current)
Portfolio Head: Corporate Services	N Mshuqwana	(01/07/2016 - 02/08/2016)
EXCO Member	K C Biggs	(01/07/2016 - Current)
EXCO Member	W C Mdolomba	(23/08/2016 - Current)
EXCO Member	M S Boo	(23/08/2016 - Current)
EXCO Member	T S Maqhashalala	(01/07/2016 - 02/08/2016)
Chairperson: MPAC	S Baba	(23/08/2016 - Current)
Chairperson: MPAC	T V Mongoato	(01/07/2016 - 02/08/2016)
Chairperson: Public Participation	M Motloli	(01/07/2016 - Current)
Chairperson: Womens Caucus	N Maketela	(01/07/2016 - Current)
<b>Members of the council</b>		
Member	F P Libaziso	(23/08/2016 - Current)
Member	M J Mtoto	(23/08/2016 - Current)
Member	N P Xaki	(23/08/2016 - Current)
Member	T P Likobela	(23/08/2016 - Current)
Member	S Vikwa	(23/08/2016 - Current)
Member	N C Sithole	(01/07/2016 - Current)
Member	P T Hloele	(01/07/2016 - Current)
Member	N I Makhube	(23/08/2016 - Current)
Member	C N Sambane	(01/07/2016 - Current)
Member	N I Mpopo	(23/08/2016 - Current)
Member	F Shale	(23/08/2016 - Current)
Member	L E Nkamba	(23/08/2016 - Current)
Member	X Mnconywa	(23/08/2016 - Current)
Member	Z P Bono	(01/07/2016 - Current)
Member	J G van Wyhe	(23/08/2016 - Current)
Member	C L Nxesi	(01/07/2016 - Current)
Member	H M Mdingi	(23/08/2016 - Current)
Member	K E Sepuhle	(01/07/2016 - Current)
Member	N N Paula	(01/07/2016 - Current)
Member	T L Mohoto	(23/08/2016 - Current)
Member	W K Leballo	(23/08/2016 - Current)
Member	N B Nkomo	(01/07/2016 - Current)
Member	P A Mohale	(01/07/2016 - Current)

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Member	I N Maketela	(01/07/2016 - Current)
Member	L E Stuurman	(01/07/2016 - Current)
Member	N R Ludidi-Mzonke	(01/07/2016 - Current)
Member	N Mosebetsane	(23/08/2016 - Current)
Member	N A Ganya	(23/08/2016 - Current)
Member	N Njobe	(01/07/2016 - Current)
Member	S N Mgolombane	(01/07/2016 - Current)
Member	T C Mshuqwana-Galo	(23/08/2016 - Current)
Member	T Molefe	(23/08/2016 - Current)
Member	T F Mohatla	(23/08/2016 - Current)
Member	T L Mothapa	(23/08/2016 - Current)
Member	W B Potwana	(01/07/2016 - Current)
Member	M C Setenane	(01/07/2016 - Current)
Member	J Mabula	(23/08/2016 - Current)
Member	M Lebese	(01/07/2016 - 02/08/2016)
Member	K B Pakkies	(01/07/2016 - 02/08/2016)
Member	S A Ndlela	(01/07/2016 - 02/08/2016)
Member	J T Tshabalala	(01/07/2016 - 02/08/2016)
Member	P C Ntsolo	(01/07/2016 - 02/08/2016)
Member	S Baba	(01/07/2016 - 02/08/2016)
Member	S M Mzozoyana	(01/07/2016 - 02/08/2016)
Member	N N Ndukwana	(01/07/2016 - 02/08/2016)
Member	T Dyantyi	(01/07/2016 - 02/08/2016)
Member	T A Mhlongo	(01/07/2016 - 02/08/2016)
Member	S Mavuka	(01/07/2016 - 02/08/2016)
Member	R T Mnika	(01/07/2016 - 02/08/2016)
Member	S B Macuphe	(01/07/2016 - 02/08/2016)
Member	M Tsoloane	(01/07/2016 - 02/08/2016)
Member	P G Muir	(01/07/2016 - 02/08/2016)
Member	A M Saliwavikwa	(01/07/2016 - 02/08/2016)
Member	S A Sello	(01/07/2016 - 02/08/2016)
Member	V M Mlandu	(01/07/2016 - 02/08/2016)
Member	J Z Munyu	(01/07/2016 - 02/08/2016)
Member	V C Sigalelana	(01/07/2016 - 02/08/2016)
Member	K B Makholwa	(01/07/2016 - 02/08/2016)
Member	N E Kotelana	(01/07/2016 - 02/08/2016)
Member	P T Motjope	(01/07/2016 - 02/08/2016)



**Municipal Manager**

Mr M Somi (Acting)

**Audit committee members**

T W Tsabo  
B Mdletshe  
W Mushohwe  
A Martinson  
M Nciki

**Chairperson**

Member  
Member  
Member  
Member

**Grading of local authority**

3

**Chief Finance Officer (CFO)**

Mr L. Ndzelu

**Registered office**

102 Main Street  
Matatiele

## General Information

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	4730
<b>Physical address</b>	102 Main Street Matatiele 4730
<b>Postal address</b>	P.O. Box 35 Matatiele 4730
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor General of South Africa
<b>Tel Number</b>	039 737 3135
<b>Fax Number</b>	039 737 3611



## Index

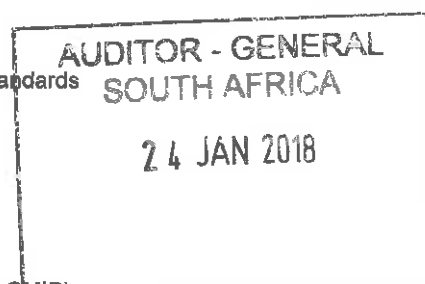
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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

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



## **Accounting Officer's Responsibilities and Approval**

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I am responsible for the preparation of these Annual financial statements, which are set out on pages 5 to 67 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Mr M Somi**  
**Accounting Officer (Acting)**

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**Statement of Financial Position as at 30 June 2017**

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	762 874	965 648
Receivables from non-exchange transactions	3	41 820 528	28 032 136
VAT receivable	4	6 209 005	7 678 846
Prepayments	5	780 622	859 291
Trade receivables from exchange transactions	6	8 829 678	6 665 203
Cash and cash equivalents	7	72 038 196	48 410 554
		<b>130 440 903</b>	<b>92 611 678</b>
<b>Non-Current Assets</b>			
Investment property	8	22 034 900	22 281 400
Property, plant and equipment	9	787 672 487	682 279 644
Intangible assets	10	2 513 008	420 740
		<b>812 220 395</b>	<b>704 981 784</b>
<b>Total Assets</b>		<b>942 661 298</b>	<b>797 593 462</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	28 455 213	29 785 175
Consumer deposits	12	282 166	278 959
Unspent conditional grants and receipts	13	2 176 826	4 030 357
Provisions	14	1 184 832	1 178 595
		<b>32 099 037</b>	<b>35 273 086</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	10 492 844	10 789 296
Provisions	14	14 556 051	13 652 888
Payables from exchange transactions	16	213 438	-
		<b>25 262 333</b>	<b>24 442 184</b>
<b>Total Liabilities</b>		<b>57 361 370</b>	<b>59 715 270</b>
<b>Net Assets</b>		<b>885 299 928</b>	<b>737 878 192</b>
Reserves			
Revaluation reserve	17	87 085 310	89 919 413
Accumulated surplus		798 214 618	647 958 779
<b>Total Net Assets</b>		<b>885 299 928</b>	<b>737 878 192</b>

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**Statement of Financial Performance for the year ended 30 June 2017**

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	56 151 228	54 644 655
Rental of facilities and equipment	20	710 213	587 861
Licences and permits	21	2 106 074	2 394 906
Other income	22	7 268 305	1 736 890
Interest received - investment	23	14 266 232	9 672 003
<b>Total revenue from exchange transactions</b>		<b>80 502 052</b>	<b>69 036 315</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	25 919 327	24 193 575
<b>Transfer revenue</b>			
Government grants & subsidies	25	314 779 565	264 756 645
Public contributions and donations	26	39 000	30 000
Fine receipts	27	2 251 410	2 737 103
<b>Total revenue from non-exchange transactions</b>		<b>342 989 302</b>	<b>291 717 323</b>
<b>Total revenue</b>	18	<b>423 491 354</b>	<b>360 753 638</b>
<b>Expenditure</b>			
Employee related costs	28	(83 657 493)	(82 635 757)
Remuneration of councillors	29	(16 893 960)	(16 496 927)
Remuneration of traditional leaders	30	(432 670)	(378 000)
Landfill site provision contribution	14	(597 165)	(565 849)
Depreciation and amortisation	31	(25 077 326)	(22 849 678)
Finance costs	32	(42 009)	(5 439)
Debt Impairment	33	(1 193 598)	(6 682 271)
Repairs and maintenance	34	(10 610 892)	(11 290 120)
Bulk purchases	35	(36 713 653)	(34 110 668)
Contracted services	36	(22 496 020)	(15 099 373)
Conditional grants - Operating expenditure	37	(18 264 516)	(18 516 711)
General Expenses	38	(59 928 023)	(52 068 608)
<b>Total expenditure</b>		<b>(275 907 325)</b>	<b>(260 699 401)</b>
<b>Operating surplus</b>		<b>147 584 029</b>	<b>100 054 237</b>
Loss on disposal of assets and liabilities		(208 252)	(285 707)
<b>Surplus for the year</b>		<b>147 375 777</b>	<b>99 768 530</b>

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**Statement of Changes in Net Assets for the year ended 30 June 2017**

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>92 755 710</b>	<b>544 675 102</b>	<b>637 430 812</b>
Changes in net assets			
Surplus for the year	-	99 768 530	99 768 530
Writing off of stale cheques	-	11 850	11 850
Transfer from Revaluation to Accumulated Surplus Investment Property	(2 836 297)	2 836 297	-
	-	667 000	667 000
Total changes	(2 836 297)	103 283 677	100 447 380
<b>Balance at 01 July 2016</b>	<b>89 919 414</b>	<b>647 958 779</b>	<b>737 878 193</b>
Changes in net assets			
Surplus for the year	-	147 375 777	147 375 777
Write off of stale cheques	-	45 958	45 958
Transfer from Revaluation to Accumulated Surplus	(2 834 104)	2 834 104	-
Total changes	(2 834 104)	150 255 839	147 421 735
<b>Balance at 30 June 2017</b>	<b>87 085 310</b>	<b>798 214 618</b>	<b>885 299 928</b>
Note(s)	17		

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**Cash Flow Statement for the year ended 30 June 2017**

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fine receipts		2 251 410	3 195 364
Sale of goods and services		69 331 092	88 547 081
Grants		312 926 034	262 981 654
Interest income		14 266 232	9 672 003
Other receipts		7 284 088	4 018 950
		<u>406 058 856</u>	<u>368 415 052</u>
<b>Payments</b>			
Employee costs		(100 984 123)	(96 876 416)
Suppliers		(131 078 550)	(113 723 691)
Finance costs		(33 668)	(5 439)
Other payments		(18 015 782)	(38 717 100)
		<u>(250 112 123)</u>	<u>(249 322 646)</u>
<b>Net cash flows from operating activities</b>	<b>39</b>	<u><b>155 946 733</b></u>	<u><b>119 092 406</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(136 087 728)	(101 503 393)
Proceeds from sale of property, plant and equipment	9	823 384	334 885
Proceeds from sale of investment property	8	375 000	-
Purchase of other intangible assets	10	(2 741 200)	-
Cash receipt for recovery of expenditure on work in progress		5 106 356	-
		<u>(132 524 188)</u>	<u>(101 168 508)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Movement in payables from exchange transactions		213 438	-
Finance lease payments		(8 341)	-
		<u>205 097</u>	<u>-</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>23 627 642</b></u>	<u><b>17 923 896</b></u>
Cash and cash equivalents at the beginning of the year		48 410 554	30 486 658
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<u><b>72 038 196</b></u>	<u><b>48 410 554</b></u>

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Annual Financial Statements for the year ended 30 June 2017

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	57 614 450	-	57 614 450	56 151 228	(1 463 222)	
Rental of facilities and equipment	773 876	-	773 876	710 213	(63 663)	
Licences and permits	3 307 500	-	3 307 500	2 106 074	(1 201 426)	
Other income	2 103 221	34 820	2 138 041	7 268 305	5 130 264	
Interest received - investment	10 264 317	-	10 264 317	14 266 232	4 001 915	
<b>Total revenue from exchange transactions</b>	<b>74 063 364</b>	<b>34 820</b>	<b>74 098 184</b>	<b>80 502 052</b>	<b>6 403 868</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	36 427 412	-	36 427 412	25 919 327	(10 508 085)	
<b>Transfer revenue</b>						
Government grants & subsidies	302 043 000	14 435 575	316 478 575	314 779 565	(1 699 010)	
Public contributions and donations	-	-	-	39 000	39 000	
Profit on sale of assets	15 000	-	15 000	-	(15 000)	
Fine receipts	1 470 000	-	1 470 000	2 251 410	781 410	
<b>Total revenue from non-exchange transactions</b>	<b>339 955 412</b>	<b>14 435 575</b>	<b>354 390 987</b>	<b>342 989 302</b>	<b>(11 401 685)</b>	
<b>Total revenue</b>	<b>414 018 776</b>	<b>14 470 395</b>	<b>428 489 171</b>	<b>423 491 354</b>	<b>(4 997 817)</b>	
<b>Expenditure</b>						
Employee related costs	(95 436 616)	5 285 315	(90 151 301)	(83 657 493)	6 493 808	
Remuneration of councillors	(18 908 383)	1 431 716	(17 476 667)	(16 893 960)	582 707	
Remuneration of traditional leaders	-	-	-	(432 670)	(432 670)	
Landfill site provision contribution	-	-	-	(597 165)	(597 165)	
Depreciation and amortisation	(14 270 000)	(13 009 031)	(27 279 031)	(25 077 326)	2 201 705	
Finance costs	-	-	-	(42 009)	(42 009)	
Debt impairment	(11 250 000)	7 962 998	(3 287 002)	(1 193 598)	2 093 404	
Repairs and maintenance	(11 242 080)	(557 000)	(11 799 080)	(10 610 892)	1 188 188	
Bulk purchases	(39 100 000)	2 349 999	(36 750 001)	(36 713 653)	36 348	
Contracted Services	(24 408 000)	(114 296)	(24 522 296)	(22 496 020)	2 026 276	
Transfers and Subsidies	(19 115 600)	(3 929 041)	(23 044 641)	(18 264 516)	4 780 125	
General Expenses	(55 619 414)	(3 385 823)	(59 005 237)	(54 452 877)	4 552 360	
<b>Total expenditure</b>	<b>(289 350 093)</b>	<b>(3 965 163)</b>	<b>(293 315 256)</b>	<b>(270 432 179)</b>	<b>22 883 077</b>	
<b>Operating surplus</b>	<b>124 668 683</b>	<b>10 505 232</b>	<b>135 173 915</b>	<b>153 059 175</b>	<b>17 885 260</b>	
Loss on disposal of assets and liabilities	-	-	-	(208 252)	(208 252)	
<b>Surplus before taxation</b>	<b>124 668 683</b>	<b>10 505 232</b>	<b>135 173 915</b>	<b>152 850 923</b>	<b>17 677 008</b>	

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>124 668 683</b>	<b>10 505 232</b>	<b>135 173 915</b>	<b>152 850 923</b>	<b>17 677 008</b>	
<b>Reconciliation</b>						

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	1 478 655	-	1 478 655	762 874	(715 781)	
Receivables from non-exchange transactions	9 647 874	-	9 647 874	41 820 528	32 172 654	
VAT receivable	8 200 000	-	8 200 000	6 209 005	(1 990 995)	
Prepayments	-	-	-	780 622	780 622	
Consumer debtors	12 299 372	-	12 299 372	8 829 678	(3 469 694)	
Call investment deposit	21 330 145	-	21 330 145	-	(21 330 145)	
Cash and cash equivalents	9 131 017	-	9 131 017	72 038 196	62 907 179	
	<b>62 087 063</b>	<b>-</b>	<b>62 087 063</b>	<b>130 440 903</b>	<b>68 353 840</b>	
<b>Non-Current Assets</b>						
Investment property	19 173 900	-	19 173 900	22 034 900	2 861 000	
Property, plant and equipment	846 457 052	-	846 457 052	787 672 484	(58 784 568)	
Intangible assets	2 989 621	-	2 989 621	2 513 008	(476 613)	
	<b>868 620 573</b>	<b>-</b>	<b>868 620 573</b>	<b>812 220 392</b>	<b>(56 400 181)</b>	
<b>Total Assets</b>	<b>930 707 636</b>	<b>-</b>	<b>930 707 636</b>	<b>942 661 295</b>	<b>11 953 659</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	30 918 604	-	30 918 604	28 455 217	(2 463 387)	
Consumer deposits	379 083	-	379 083	282 166	(96 917)	
Unspent conditional grants and receipts	-	-	-	2 176 826	2 176 826	
Provisions	1 469 074	-	1 469 074	1 184 832	(284 242)	
	<b>32 766 761</b>	<b>-</b>	<b>32 766 761</b>	<b>32 099 041</b>	<b>(667 720)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	-	-	10 492 844	10 492 844	
Provisions	23 952 740	-	23 952 740	14 556 051	(9 396 689)	
Payables from exchange transactions	-	-	-	213 438	213 438	
	<b>23 952 740</b>	<b>-</b>	<b>23 952 740</b>	<b>25 262 333</b>	<b>1 309 593</b>	
<b>Total Liabilities</b>	<b>56 719 501</b>	<b>-</b>	<b>56 719 501</b>	<b>57 361 374</b>	<b>641 873</b>	
<b>Net Assets</b>	<b>873 988 135</b>	<b>-</b>	<b>873 988 135</b>	<b>885 299 921</b>	<b>11 311 786</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	314 624 627	-	314 624 627	87 085 310	(227 539 317)	
Accumulated surplus	559 363 508	-	559 363 508	798 214 611	238 851 103	
<b>Total Net Assets</b>	<b>873 988 135</b>	<b>-</b>	<b>873 988 135</b>	<b>885 299 921</b>	<b>11 311 786</b>	

**Statement of Comparison of Budget and Actual Amounts**

## Budget on Cash Basis

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

**Cash Flow Statement****Cash flows from operating activities****Receipts**

Sale of goods and services	65 203 007	-	65 203 007	70 417 632	5 214 625
Grants	302 043 000	-	302 043 000	312 926 034	10 883 034
Interest income	10 264 317	-	10 264 317	14 266 232	4 001 915
Other receipts	4 583 807	-	4 583 807	6 164 451	1 580 644
	<b>382 094 131</b>	<b>-</b>	<b>382 094 131</b>	<b>403 774 349</b>	<b>21 680 218</b>

**Payments**

Employee costs	(114 344 998)	-	(114 344 998)	(100 555 366)	13 789 632
Suppliers	(126 988 078)	-	(126 988 078)	(126 988 078)	-
Finance costs	(5 000 000)	-	(5 000 000)	(33 668)	4 966 332
Other payments	(43 017 017)	-	(43 017 017)	(20 571 386)	22 445 631
	<b>(289 350 093)</b>	<b>-</b>	<b>(289 350 093)</b>	<b>(248 148 498)</b>	<b>41 201 595</b>

<b>Net cash flows from operating activities</b>	<b>92 744 038</b>	<b>-</b>	<b>92 744 038</b>	<b>155 625 851</b>	<b>62 881 813</b>
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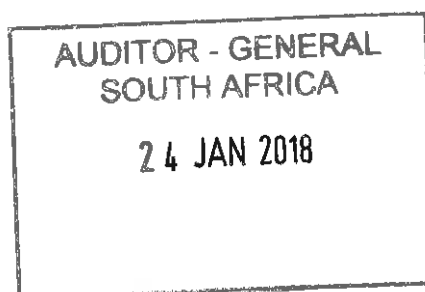
**Cash flows from investing activities**

Purchase of property, plant and equipment	(155 393 935)	-	(155 393 935)	(138 232 256)	17 161 679
Proceeds from sale of property, plant and equipment	-	-	-	823 384	823 384
Proceeds from sale of investment property	-	-	-	375 000	375 000
Purchase of other asset	-	-	-	2 741 200	2 741 200
Cash receipts on work in progress	-	-	-	5 106 356	5 106 356

<b>Net cash flows from investing activities</b>	<b>(155 393 935)</b>	<b>-</b>	<b>(155 393 935)</b>	<b>(129 186 316)</b>	<b>26 207 619</b>
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Net increase/(decrease) in cash and cash equivalents	(62 649 897)	-	(62 649 897)	26 439 535	89 089 432
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<b>Cash and cash equivalents at the end of the year</b>	<b>(62 649 897)</b>	<b>-</b>	<b>(62 649 897)</b>	<b>26 439 535</b>	<b>89 089 432</b>
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**Reconciliation**

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies for the year ended 30 June 2017

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### 1. Presentation of Annual Financial Statements

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

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.

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 20 Related Party Disclosures

GRAP 32 Service Concession Arrangements: Grantor

GRAP 108 Statutory Receivables

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

GRAP 109 Accounting by Principals and Agents

Adoption of these standards will have no material impact on future financial periods.

The following GRAP standard has been approved but is not required to be applied:

GRAP 18 Segment Reporting

#### Critical judgments, estimations and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

#### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, as well as land with no determinable future use:

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.

**Accounting Policies for the year ended 30 June 2017**

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**1.3 Investment property (continued)****Subsequent measurement**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**1.4 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

The residual value of property, plant and equipment has been determined using historical data and market conditions. A base level of 20 percent is applied except where specific assets are deemed to vary significantly from this estimate.

**SUBSEQUENT MEASUREMENT**

The following categories of Property, plant and equipment are carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:



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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies for the year ended 30 June 2017

### 1.4 Property, plant and equipment (continued)

- Other property, plant and equipment
- Capital under construction.

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

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

### DEPRECIATION

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

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost or revalued amount, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year end:

<b>Infrastructure:</b>	<b>Years</b>	<b>Community:</b>	<b>Years</b>	<b>Other:</b>	<b>Years</b>
Roads and Paving	10-30	Improvements	25-30	Buildings	30
Electricity	20-30	Recreational facilities	15-20	Specialist vehicles	10
Water	15-20	Security	03-05	Other vehicles	05-10
Sewerage	15-20	<b>Components:</b>		Office equipment	03-07
Landfill Sites	10-65	Doors & Iron	08-15	Furniture and fittings	07-10
Housing	30	Doors & Iron (extensive)	15-30	Watercraft	15
Pedestrian Malls	20	Fittings	05-15	Bins and containers	05-10
		Fittings and fixtures	15-30	Specialised equipment	10-15
		Windows & glazing	08-15	Other plant and equip	02-15
		Windows & glazing (extensive)	15-30	External wall	20-30
		External roof structure/covering	15-35	Floor structure	20-40
		Floor finish	05-15	Wall painting	05-10
		Wall structure (internal)	20-50	Drainage	10-30
		Electrical	10-30	Plumbing	10-30

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

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

## Accounting Policies for the year ended 30 June 2017

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### 1.4 Property, plant and equipment (continued)

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

### 1.5 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

Computer software, other	3-5 years
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### SUBSEQUENT MEASUREMENT

Intangible assets are subsequently measured at cost less accumulated amortisation

Intangible assets are derecognised:

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

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies for the year ended 30 June 2017

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### 1.5 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised

### 1.6 Financial instruments

#### Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

#### Subsequent measurement

Financial instruments are classified as financial instruments at fair value through profit or loss where the financial instrument is either held for trading (including derivative instruments) or is designated as at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

#### Trade Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 1.9. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents includes investments from call accounts which are held on a 30 day notice and can be received anytime the municipality wishes to utilize the funds. These investments are measured at fair value.

Cash and cash equivalents are measured at fair value.

#### Financial Liabilities

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows.

#### Trade Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost

### 1.7 Leases

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

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

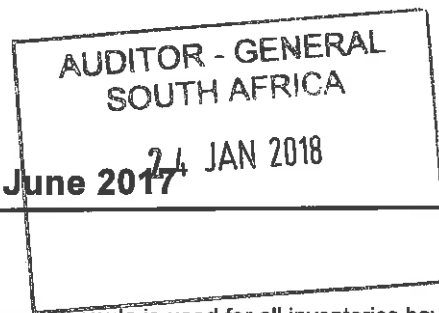
#### Operating leases - lessor

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

### 1.8 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.



## Accounting Policies for the year ended 30 June 2017

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### 1.8 Inventories (continued)

The cost of inventories is assigned using the (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.

### 1.9 Impairment of assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired & is written down to its recoverable amount or recoverable service amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit or loss.

### 1.10 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

### 1.11 Employee costs

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies for the year ended 30 June 2017

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### 1.12 Employee benefits (continued)

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

All Actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan 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.

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.

### 1.14 Revenue from exchange transactions

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

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Accounting Policies for the year ended 30 June 2017

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### 1.14 Revenue from exchange transactions (continued)

#### Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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 recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.15 Revenue from non-exchange transactions

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 related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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 proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

**Accounting Policies for the year ended 30 June 2017**

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**1.15 Revenue from non-exchange transactions (continued)****Government grants**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**Unspent conditional grants**

For all conditional grants, a corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

**1.16 Unauthorised expenditure**

Unauthorised expenditure means:

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

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

**1.17 Fruitless and wasteful expenditure**

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

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

**1.18 Irregular expenditure**

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

**1.19 Change in Accounting Policies, Estimates and Errors**

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

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

**1.20 Prepayments**

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

**1.21 Accumulated Surplus**

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors

## Accounting Policies for the year ended 30 June 2017

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### 1.22 IGRAP 1 - Probability of revenue

#### Initial Recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.

#### Subsequent measurement

Subsequently, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate

### 1.23 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

### 1.24 Budget information

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

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

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

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

### 1.25 Related parties

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

### 1.26 Commitments

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

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments. Commitments are disclosed for:

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

### 1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.



## Accounting Policies for the year ended 30 June 2017

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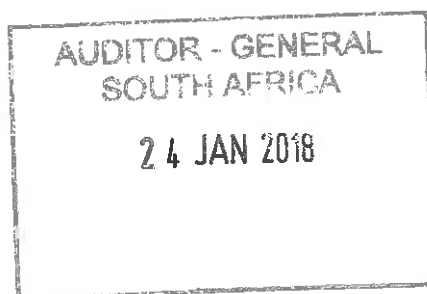
### 1.27 Housing development fund (continued)

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### 1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>2. Inventories</b>		
Consumable stores	760 205	962 979
Medallions - at cost	2 669	2 669
	<b>762 874</b>	<b>965 648</b>

Inventories are held for own use with the result that no write downs of inventory to net realisable value were required.

**3. Other receivables from non-exchange transactions**

Traffic Fines Debtor	2 410 613	2 238 497
Other Debtors	-	1 680 172
Sundry Debtors - transfer of water services	10 773 857	10 769 471
Rates from non exchange transactions	56 540 516	40 843 633
Health Subsidy Control	-	35 519
Interest accrued from investments	319 845	224 206
Sundry Debtors Control	204 720	296 678
Provision for Impairment	(28 429 023)	(28 116 666)
Bonus Recovery Debtor	-	60 626
	<b>41 820 528</b>	<b>28 032 136</b>

Health Subsidy Control relates to expenses incurred by the municipality on an agency basis on behalf of the Provincial Government, a sundry debtor was raised for the agency fees owing by provincial government that will be recovered.

Sundry Debtors relate to Alfred Nzo District Municipality and Sisonke District Municipality for transfer of water services.

**4. VAT receivable**

VAT	6 209 005	7 678 846
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

**5. Prepayments**

SALGA	-	859 291
Council Chambers	780 622	-
	<b>780 622</b>	<b>859 291</b>

**6. Trade receivables**

<b>Gross balances</b>		
Electricity from exchange transactions	7 720 760	6 475 408
Refuse from exchange transactions	12 250 398	10 450 031
	<b>19 971 158</b>	<b>16 925 439</b>
<b>Less: Allowance for impairment</b>		
Electricity from exchange transactions	(1 904 111)	(667 796)
Refuse from exchange transactions	(9 237 369)	(9 592 442)
	<b>(11 141 480)</b>	<b>(10 260 238)</b>

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**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**6. Trade receivables (continued)****Net balance**

Electricity from exchange transactions	5 816 649	5 807 612
Refuse from exchange transactions	3 013 029	857 589
	<b>8 829 678</b>	<b>6 665 203</b>

**Electricity from exchange transactions**

Current (0 -30 days)	3 307 313	2 834 701
31 - 60 days	1 590 339	1 110 304
61 - 90 days	267 275	370 980
91 - 120 days	197 884	355 435
121 - 365 days	402 053	739 298
> 365 days	1 955 896	1 064 690
	<b>7 720 760</b>	<b>6 475 408</b>

**Refuse from exchange transactions**

Current (0 - 30 days)	657 427	626 753
31 - 60 days	416 640	339 905
61 - 90 days	247 374	213 923
91 - 120 days	210 310	191 167
121 - 365 days	1 562 560	1 370 350
> 365 days	9 330 109	7 707 933
	<b>12 424 420</b>	<b>10 450 031</b>



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>6. Trade receivables (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	583 755	411 919
31 - 60 days	478 719	286 017
61 - 90 days	304 368	411 553
91 - 120 days	265 607	373 328
121 - 365 days	3 346 599	2 770 122
> 365 days	8 978 691	19 597 164
	<u>13 957 739</u>	<u>23 850 103</u>
Less: Allowance for impairment	(9 853 522)	(23 133 296)
	<u>4 104 217</u>	<u>716 807</u>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2 218 277	2 547 376
31 - 60 days	898 354	906 222
61 - 90 days	183 560	192 908
91 - 120 days	91 795	174 701
121 - 365 days	371 201	719 133
> 365 days	676 321	2 972 850
	<u>4 439 508</u>	<u>7 513 190</u>
Less: Allowance for impairment	(1 461 979)	(2 911 933)
	<u>2 977 529</u>	<u>4 601 257</u>
<b>National and provincial government</b>		
Current (0 -30 days)	75 116	502 401
31 - 60 days	57 167	263 509
61 - 90 days	75 150	238 116
91 - 120 days	100 836	219 270
121 - 365 days	563 454	9 782 238
> 365 days	702 122	15 400 247
	<u>1 573 845</u>	<u>26 405 781</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(10 260 238)	(16 334 591)
Contributions to allowance	(881 242)	-
Debt impairment written off against allowance	-	6 074 353
	<u>(11 141 480)</u>	<u>(10 260 238)</u>
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 4 281 619 (2016: R 4 327 425) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2 318 876	2 055 062
2 months past due	1 166 953	1 189 276
3 months past due	795 790	1 083 087

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**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**6. Trade receivables (continued)**

**Consumer debtors impaired**

As of 30 June 2017, consumer debtors of R 11 315 502 (2016: R 10 260 238) were impaired and provided for.

The amount of the provision was R 11 315 502 as of 30 June 2017 (2016: R 10 260 238).

The ageing of these debtors is as follows:

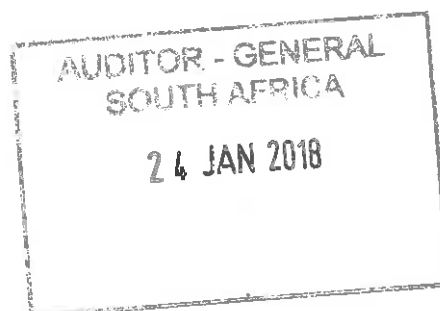
3 to 6 months	707 219	585 957
Over 6 months	10 608 283	9 674 281

**7. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	1 250	1 250
Bank balances	3 970 948	6 215 224
Short-term deposits	68 065 998	42 194 080
	<b>72 038 196</b>	<b>48 410 554</b>

Short-term deposits represent investments held at various financial institutions. An investment register detailing these accounts is available at the municipal offices.



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**7. Cash and cash equivalents (continued)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Nedbank - Current Account (Main) - 1011292106	4 508 059	8 156 953	9 688 467	3 140 400	5 742 709	(6 289 863)
Standard Bank - Current Account - 060435224	208 863	155 231	7 211 214	208 863	155 231	7 211 214
First National Bank - Current Account - 62108495187	621 687	317 284	7 531 444	621 687	317 284	7 532 044
Standard Bank - Call Account 68600704/001	17 155 059	7 855 059	5 955 059	17 155 059	7 855 059	5 955 059
Standard Bank - 60 Day Notice Account - 68600704/002	9 360 589	8 865 185	8 443 481	9 360 589	8 865 185	8 443 481
First National Bank - Money Market - 62108496573	6 106 382	6 108 042	709 285	6 106 382	6 108 042	709 285
Nedbank - Call Account 03/7881006129/000004	15 918 256	12 215 456	454 279	15 918 256	12 215 456	454 279
Nedbank - Call Account 03/7881096624/000001	2 346 547	1 000	3 092 600	2 346 546	1 000	3 092 600
Nedbank - Call Account 03/7881120797/000001	920 762	1 000	1 000	920 762	1 000	-
Nedbank - 32 day Notice 03/7881006129	5 024 371	4 700 000	4 700 000	5 024 370	4 700 000	-
First National Bank - Money Market - 62175310045	164 564	164 639	918 536	164 564	164 639	918 536
First National Bank - Money Market - 62215611121	1 673 386	1 673 405	1 848 944	1 673 386	1 673 405	1 848 944
First National Bank - Money Market - 62286478906	509 362	610 294	609 832	509 362	610 294	609 832
Nedbank - Call Account 03/7881127902	3 242 698	-	-	3 242 698	-	-
Nedbank - Call Account 03/7881134496/000001	1 000 000	-	-	1 000 000	-	-
Nedbank - Call Account 03/7881134550	4 644 022	-	-	4 644 022	-	-
<b>Total</b>	<b>73 404 607</b>	<b>50 823 548</b>	<b>51 164 141</b>	<b>72 036 946</b>	<b>48 409 304</b>	<b>30 485 411</b>

**8. Investment property**

	2017			2016		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 034 900	-	22 034 900	22 281 400	-	22 281 400
Reconciliation of investment property - 2017						
Investment property				Opening balance	Disposals	Total
				22 281 400	(246 500)	22 034 900

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**8. Investment property (continued)**

Reconciliation of investment property - 2016



	Opening balance	Prior Period Error	Total
Investment property	21 614 400	667 000	22 281 400

**Investment Property Information**

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

The effective date of revaluations was 1 July 2013.

The valuation was performed using data based on arms length transactions and related market evidence.

This was done by an independent and professional valuer with the Registration Number 3550/09 by the name of Kwasi Agyabon Boateng who has a Bsc Honours Land Economy.

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

Rental revenue from investment property	710 213	587 861
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**9. Property, plant and equipment**

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	62 746 329	(7 335 580)	55 410 749	60 380 610	(6 125 407)	54 255 203
Land	18 157 142	-	18 157 142	18 157 142	-	18 157 142
Infrastructure	471 533 801	(118 484 470)	353 049 331	426 422 916	(103 013 771)	323 409 145
Community	101 785 936	(29 228 572)	72 557 364	100 379 368	(25 565 707)	74 813 661
Other property, plant and equipment	53 457 228	(20 696 318)	32 760 910	50 835 889	(17 626 789)	33 209 100
Capital under construction	255 736 991	-	255 736 991	178 435 393	-	178 435 393
<b>Total</b>	<b>963 417 427</b>	<b>(175 744 940)</b>	<b>787 672 487</b>	<b>834 611 318</b>	<b>(152 331 674)</b>	<b>682 279 644</b>

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**9. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Disposals	Transfers	Loss on construction contract	Depreciation	Total
Buildings	54 255 203	1 063 980	-	1 301 739	-	(1 210 173)	55 410 749
Land	18 157 142	-	-	-	-	-	18 157 142
Infrastructure	323 409 145	1 106 950	-	44 003 935	-	(15 470 699)	353 049 331
Community	74 813 661	236 647	(96 518)	1 271 980	-	(3 668 406)	72 557 364
Other property, plant and equipment	33 209 101	4 483 543	(1 063 618)	211 000	-	(4 079 118)	32 760 908
Capital under construction	178 435 393	129 196 608	-	(46 788 654)	(5 106 356)	-	255 736 991
	<b>682 279 645</b>	<b>136 087 728</b>	<b>(1 160 136)</b>	<b>-</b>	<b>(5 106 356)</b>	<b>(24 428 396)</b>	<b>787 672 485</b>

**Reconciliation of property, plant and equipment - 2016**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	55 087 045	-	-	312 823	(1 144 665)	54 255 203
Land	18 157 142	-	-	-	-	18 157 142
Infrastructure	295 765 995	3 720 243	(352 762)	38 314 460	(14 038 791)	323 409 145
Community	75 557 810	1 064 309	-	1 780 659	(3 589 117)	74 813 661
Other property, plant and equipment	33 058 705	4 243 576	(267 830)	-	(3 825 350)	33 209 101
Capital under construction	126 368 070	92 475 265	-	(40 407 942)	-	178 435 393
	<b>603 994 767</b>	<b>101 503 393</b>	<b>(620 592)</b>	<b>-</b>	<b>(22 597 923)</b>	<b>682 279 644</b>

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**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**9. Property, plant and equipment (continued)**

**Revaluations**



Land is re-valued independently every 5 years.

The valuation was performed using data based on arms length transactions.

These assumptions were based on current market conditions.

The valuation of land was done through the process of creating a new valuation roll as per the requirements of the Municipal Property Rates Act. The new valuation roll was effective from 1st July 2013 and the revaluation of Land was accordingly done.

**Reconciliation of Work-in-Progress 2017**

	Included within Infrastructure	Included within Buildings	Included within Community Assets	Total
Additions/capital expenditure	194 595 913	36 587 899	25 333 801	256 517 613

**Reconciliation of Work-in-Progress 2016**

	Included within Infrastructure	Included within Buildings	Included within Community Assets	Total
Additions/capital expenditure	127 197 660	32 341 708	19 570 691	179 110 059

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.

**10. Intangible assets**

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 965 883	(1 452 875)	2 513 008	1 283 681	(862 941)	420 740

**Reconciliation of intangible assets - 2017**

	Opening balance	Additions	Amortisation	Total
Computer software	420 740	2 741 200	(648 932)	2 513 008

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**10. Intangible assets (continued)****Reconciliation of intangible assets - 2016**

	Opening balance	Amortisation	Total
Computer software	672 497	(251 757)	420 740

**Other information**

There is a register containing the information required by Section 63 of the MFMA which is available for inspection at the registered office of the Municipality.

In assessing the useful life of the Corview software, we have considered various relevant factors including the nature of the Software, the potential for software upgrade, the use of the asset and ultimately the expectation of receiving service potential of the asset.

Due to the above factors, there is no foreseeable limit to the expected service potential of the Corview software and as such the Corview intangible asset is deemed to have an indefinite useful life.

**11. Payables from exchange transactions**

Trade payables	14 045 819	15 337 660
Leave pay accrual	6 523 698	6 036 549
Income received in advance	3 426 114	2 093 162
Payments received in advance	-	2 001 657
Other creditors	2 866 805	2 858 969
Bonus accrual	1 592 777	1 457 178
	<u>28 455 213</u>	<u>29 785 175</u>

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

Income received in advance is due to payments received for hall hire and prepaid electricity

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.

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

Bonus accrual is calculated on a 13th cheque attributable to all staff.

**12. Consumer deposits**

Electricity	282 166	278 959
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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 on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
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### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Provincial government grants	63 798	163 798
Local government	68 145	2 332 783
Library upgrade	1 071 959	815 700
Spatial development	43 865	142 161
LED projects	506 536	506 536
Other grants	422 523	69 379
	<b>2 176 826</b>	<b>4 030 357</b>

Refer to note 25 for reconciliation of grants and receipts.



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## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
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### 14. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11 352 032	-	597 165	11 949 197
Provision for long service award	2 690 443	305 998	-	2 996 441
Performance bonus	789 008	6 237	-	795 245
	<b>14 831 483</b>	<b>312 235</b>	<b>597 165</b>	<b>15 740 883</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	10 786 183	-	565 849	-	11 352 032
Provision for long service award	2 236 392	454 051	-	-	2 690 443
Performance bonus	904 937	-	-	(115 929)	789 008
	<b>13 927 512</b>	<b>454 051</b>	<b>565 849</b>	<b>(115 929)</b>	<b>14 831 483</b>
Non-current liabilities				14 556 051	13 652 888
Current liabilities				1 184 832	1 178 595
				<b>15 740 883</b>	<b>14 831 483</b>

#### Performance Bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

#### Long Service

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. 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.

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, in which case the municipality is 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.

#### Environmental rehabilitation provision

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, "All land fills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leachate management."

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**14. Provisions (continued)**

The financial implications for the rehabilitation of the landfill site were performed by ADV. C P Herbst, who is a mineral and environmental law consultant. This was carried out on the 16 July 2016 for the effective date, 30 June 2017. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

The monetary value for the provision for the landfill site at 30 June 2017 is R 11 949 197 (2016: 11 352 032)

**15. Employee benefit obligations**

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

**Carrying value**

Long term portion of Health Care Benefit Liability	10 130 854	10 505 208
Current portion of Health Care Benefit	361 990	284 088
	<b>10 492 844</b>	<b>10 789 296</b>

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

Opening balance	10 789 296	8 698 503
Liabilities extinguished on settlements	(160 230)	(438 151)
Net expense recognised in the statement of financial performance	(136 222)	2 528 944
	<b>10 492 844</b>	<b>10 789 296</b>

Net expense recognised in the statement of financial performance

Current service cost	1 035 871	903 746
Interest cost	970 185	776 106
Actuarial (gains) losses	(2 142 278)	849 092
	<b>(136 222)</b>	<b>2 528 944</b>

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**15. Employee benefit obligations (continued)**

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 results 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, in which case the municipality is 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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Chanan Weiss of ARCH Actuarial Consulting, fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**Key assumptions used**

Assumptions used at the reporting date:

Average retirement age	63	63
Discount rates used	9,72 %	9,11 %
Health care cost inflation rate	7,98 %	8,19 %
Net effective discount rate	1,60 %	0,85 %

**Other assumptions**

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

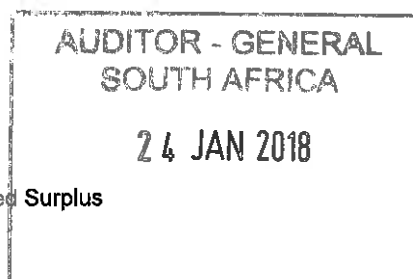
	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 454 300	1 659 700
Effect on defined benefit obligation	12 461 000	8 940 000

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	10 492 844	10 789 296	8 698 503	7 459 676	6 218 312
Surplus (deficit)	(10 492 844)	(10 789 296)	(8 698 503)	(7 459 676)	(6 218 312)

**16. Payables from exchange transactions**

Trade payables



213 438

-

**17. Revaluation reserve**

Opening balance

89 919 413

92 755 710

Transfer from Revaluation Reserve To Accumulated Surplus

(2 834 103)

(2 836 297)

**87 085 310****89 919 413**

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand

2017

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**17. Revaluation reserve (continued)**

The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council does not currently intend to make any distributions from the revaluation reserve.

**18. Revenue**

Service charges	56 151 228	54 644 655
Rental of facilities and equipment	710 213	587 861
Licences and permits	2 106 074	2 394 906
Other income	7 268 305	1 736 890
Interest received - investment	14 266 232	9 672 003
Property rates	25 919 327	24 193 575
Government grants & subsidies	314 779 565	264 756 645
Public contributions and donations	39 000	30 000
Fine receipts	2 251 410	2 737 103
	<b>423 491 354</b>	<b>360 753 638</b>

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

Service charges	56 151 228	54 644 655
Rental of facilities and equipment	710 213	587 861
Licences and permits	2 106 074	2 394 906
Other income	7 268 305	1 736 890
Interest received - investment	14 266 232	9 672 003
	<b>80 502 052</b>	<b>69 036 315</b>

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

<b>Taxation revenue</b>		
Property rates	25 919 327	24 193 575
<b>Transfer revenue</b>		
Government grants & subsidies	314 779 565	264 756 645
Public contributions and donations	39 000	30 000
Fine receipts	2 251 410	2 737 103
	<b>342 989 302</b>	<b>291 717 323</b>

**19. Service charges**

Sale of electricity	47 493 760	47 025 258
Refuse removal	8 657 468	7 619 397
	<b>56 151 228</b>	<b>54 644 655</b>

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

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand

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**20. Rental of facilities and equipment**

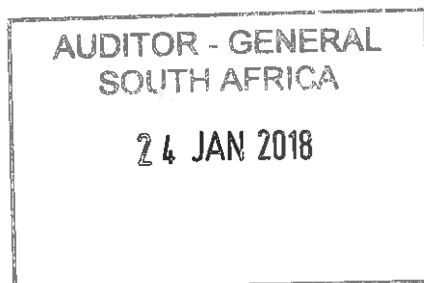
Hall Hire	139 175	128 935
Housing Rental	10 066	-
Farm Rental	76 259	78 678
Site Rental	447 061	359 334
Stadium Hire	37 652	20 914
	<b>710 213</b>	<b>587 861</b>

**21. Licenses and permits**

Drivers licenses	2 099 097	2 392 941
Business licenses	6 977	1 965
	<b>2 106 074</b>	<b>2 394 906</b>

**22. Other income**

Nature reserve chalets	21 804	15 896
Electricity connections	132 599	329 115
Service connections	6 481	-
Sundry services	6 057 878	691 076
Rezoning certificates	735	-
Pool fees	45 342	31 855
Nature reserve annual licence	12 089	3 130
Nature reserve daily fishing	8 317	8 234
Rates certificates	1 605	3 175
Building exemption certificates	29 693	14 519
Building plans	138 407	211 650
Photo copies	209	1 018
Plant hire	184	1 697
Pound fees	217 607	146 450
Cemetery fees	58 408	48 829
Tender documents	498 718	201 347
Nature reserve income	-	1 423
Driveway hardening	18 093	8 487
Special consent	9 679	13 082
Demolition fees	10 457	5 907
	<b>7 268 305</b>	<b>1 736 890</b>



The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**23. Interest received - investment**

<b>Investment revenue</b>		
Interest on short-term bank deposits	7 060 637	4 279 192
Loans and receivables	7 205 595	5 392 811
	<b>14 266 232</b>	<b>9 672 003</b>



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
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**24. Property rates**

**Rates received**

Residential	25 919 327	24 193 575
-------------	------------	------------

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2013.

**Valuations**

Residential	1 005 074 750	995 149 350
Commercial	782 746 864	760 269 864
State	564 224 509	564 224 509
Vacant land	28 613 000	28 838 500
Municipal and Local Government (Rural)	674 036 639	674 584 639
Exempted properties	307 063 288	340 897 288
	<b>3 361 759 050</b>	<b>3 363 964 150</b>

A general rate of R0.009123 (2016: R0.008689) is applied to residential property valuations and R0.010426 (2016: R0.010948) to commercial property valuations to determine assessment rates. Rebates of 35% (2016: 35%) are granted to residential property owners and 10% (2016: 10%) to commercial property owners.

A general rate of R0.002281 (2016: R0.002172) is applied on agricultural/farm properties/land and a rebate of 65% (2016: 65%) are granted to agricultural/farm properties/land.

Rates are levied on an annual basis with the final date for payment being 30 September 2017 (30 September 2016). Interest at 18% per annum (2016: 18%) and a collection fee of 0% (2016: 0%), is levied on rates outstanding two months after due date.

Agricultural rates increased by 5% to R0.002281 (2016: R0.002172)



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	170 266 000	176 181 000
Human settlements	675 055	664 726
	<b>170 941 055</b>	<b>176 845 726</b>
<b>Capital grants</b>		
National: FMG Grant	1 625 000	1 600 000
National: MIG Grant	47 012 000	49 867 144
National: MSIG Grant	-	930 000
National: DoE Electrification Grant	80 000 000	30 000 000
Smart Metering Grant	10 000 000	-
Assets Grant	100 000	-
Provincial: Capacity Building	-	9 793
Incentive Grant	1 790 000	1 780 000
Provincial: Treasury	-	165
Provincial: DEAT	-	100 979
Provincial: Seeta	176 742	170 782
Music Festival	250 000	400 000
Other Grants	31 855	199 456
Fire Project	378 093	-
Spatial Development	98 296	141 039
Grain Storage	-	307 484
Asset Register Grant	-	2 359 161
Desrac Grant	143 741	44 916
Election IEC	2 232 783	-
	<b>143 838 510</b>	<b>87 910 919</b>
	<b>314 779 565</b>	<b>264 756 645</b>

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**Equitable Share**

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

**National: FMG grant**

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

Conditions still to be met - remain liabilities (see note 13).

**National: MIG grant**

Current-year receipts	47 012 000	49 867 144
Conditions met - transferred to revenue	(47 012 000)	(49 867 144)
	-	-

Conditions still to be met - remain liabilities (see note 13).

**National: MSIG grant**

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

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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand

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2016

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

Conditions still to be met - remain liabilities (see note 13).

**National: DoE Electrification grant**

Current-year receipts	80 000 000	30 000 000
Conditions met - transferred to revenue	(80 000 000)	(30 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

**Provincial government**

Balance unspent at beginning of year	163 798	163 962
Conditions met - transferred to revenue	(100 000)	(164)
	<b>63 798</b>	<b>163 798</b>

Conditions still to be met - remain liabilities (see note 13).

**Local Government**

Balance unspent at beginning of year	2 332 783	1 242 575
Current-year receipts	-	1 100 000
Conditions met - transferred to revenue	(2 264 638)	(9 792)
	<b>68 145</b>	<b>2 332 783</b>

Conditions still to be met - remain liabilities (see note 13).

**Library Upgrade**

Balance unspent at beginning of year	815 700	572 616
Current-year receipts	400 000	288 000
Conditions met - transferred to revenue	(143 741)	(44 916)
	<b>1 071 959</b>	<b>815 700</b>

Conditions still to be met - remain liabilities (see note 13).

**Spatial Development**

Balance unspent at beginning of year	142 161	283 200
Conditions met - transferred to revenue	(98 296)	(141 039)
	<b>43 865</b>	<b>142 161</b>

Conditions still to be met - remain liabilities (see note 13).

**Incentive Grant**

Current-year receipts	1 790 000	1 780 000
Conditions met - transferred to revenue	(1 790 000)	(1 780 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>25. Government grants and subsidies (continued)</b>		
<b>LED Projects</b>		
Balance unspent at beginning of year	506 536	607 515
Conditions met - transferred to revenue	-	(100 979)
	<b>506 536</b>	<b>506 536</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Provincial: Seta</b>		
Current-year receipts	176 742	170 782
Conditions met - transferred to revenue	(176 742)	(170 782)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
<b>Smart metering grant</b>		
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Other Grants</b>		
Balance unspent at beginning of year	69 379	268 835
Current-year receipts	1 406 292	-
Conditions met - transferred to revenue	(1 053 148)	(199 456)
	<b>422 523</b>	<b>69 379</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>26. Public contributions and donations</b>		
Donations	39 000	30 000
<b>27. Fine receipts</b>		
Library fines	-	42
Traffic fines	584 545	1 292 215
Traffic licenses	1 666 865	1 444 846
	<b>2 251 410</b>	<b>2 737 103</b>



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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand

2017

2016

**28. Employee related costs**

Basic	59 082 728	59 848 261
Bonus	3 158 678	2 682 020
Medical aid - company contributions	2 437 296	2 097 115
UIF	489 657	484 563
SDL	895 377	30 668
Leave pay provision charge	2 215 620	1 601 633
Provision for long service	-	916 752
Defined contribution plans	7 738 279	7 022 293
Overtime payments	1 665 923	2 111 326
Acting allowances	109 736	37 000
Car allowance	2 996 739	2 646 871
Housing benefits and allowances	2 438 702	1 197 653
Contribution to bonus and post retirement provision	725 210	2 090 793
Provision for movement in performance bonuses	(296 452)	(131 191)
	<b>83 657 493</b>	<b>82 635 757</b>

**Remuneration of Municipal Manager**

Annual Remuneration	1 274 015	1 173 316
Car Allowance	240 000	255 000
Performance Bonuses	-	120 139
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 515 800</b>	<b>1 550 240</b>

Dr D.C.T Nakin served as Municipal Manager for the entire period under review.

**Remuneration of Chief Financial Officer**

Annual Remuneration	715 090	887 598
Car Allowance	157 500	210 000
Back Pay	226 663	-
Contributions to UIF, Medical and Pension Funds	1 605	1 785
	<b>1 100 858</b>	<b>1 099 383</b>

Mr Ndzelu was the Chief Financial Officer until 31/03/2017 and re-appointed on the 01/04/2017.

**Remuneration of Corporate Services Manager**

Annual Remuneration	1 001 454	933 961
Car Allowance	162 000	163 636
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 165 239</b>	<b>1 099 382</b>

Mr L.T. Somtseu was the Corporate Services Manager for the entire period under review.

**Remuneration of Community Services Manager**

Annual Remuneration	483 854	674 665
Car Allowance	125 000	240 000
Backpay	56 081	-
Contributions to UIF, Medical and Pension Funds	1 487	1 636
Remote Allowance	29 684	-
	<b>696 106</b>	<b>916 301</b>

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
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**28. Employee related costs (continued)**

MR SM Mbedla was the acting Community Services Manager from 01/09/2016 to 31/11/ 2016. He was subsequently appointed from 01/12/2016 on a full time basis.

**Remuneration of the EDP Manager**

Remuneration of the EDP Manager	321 196	-
Car Allowance	75 000	-
Company Contributions to UIF, Medical and Pension Funds	892	-
Remote Allowance	12 722	-
Remuneration of the EDP Manager (Mr V Ndaba) Allowance for acting position	-	91 680
Remuneration of the EDP Manager (Mrs B Ntloko) Allowance for acting position	-	56 523
	<b>409 810</b>	<b>148 203</b>

Mrs V Matela was acting as EDP Manager from September 2016 to February 2017.

**Remuneration of the Infrastructure Manager**

Annual Remuneration	935 454	869 598
Housing allowance	132 000	96 000
Car Allowance	96 000	132 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 165 239</b>	<b>1 099 383</b>

Mr M. Somi was the Infrastructure Manager for the entire period under review.

**Staff leave benefits**

Municipal Manager	262 000	174 268
Chief Financial Officer	20 919	47 181
Corporate Services Manager	161 471	126 146
Community Services Manager	43 189	-
Infrastructure Manager	196 861	140 582
	<b>684 440</b>	<b>488 177</b>

**29. Remuneration of councillors**

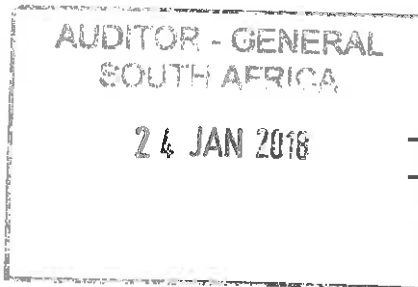
Mayor	522 216	568 359
Speaker	440 119	209 721
Chief Whip	430 687	426 229
MPAC Chair	371 901	397 891
Executive Committee	2 873 422	2 615 173
Councillors	6 653 251	6 491 883
Company contributions to UIF, medical aid and pension fund	732 520	723 525
Sundry Allowances (Cellular phones, housing and vehicles)	4 869 844	5 064 146
	<b>16 893 960</b>	<b>16 496 927</b>

**30. Remuneration of traditional leaders**

Remuneration of traditional leaders	432 670	378 000
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**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	24 428 394	22 597 920
Intangible assets	648 932	251 758
	<b>25 077 326</b>	<b>22 849 678</b>
<b>32. Finance costs</b>		
Finance leases	8 341	-
Late payments	33 668	5 439
	<b>42 009</b>	<b>5 439</b>
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	1 193 598	6 682 271
<b>34. Repairs and maintenance</b>		
Repairs on buildings	1 765 953	1 441 659
Repairs on equipment	260 943	388 152
Repairs on mains	981 295	1 032 494
Repairs on plant and vehicles	1 930 963	1 389 276
Repairs on roads	5 513 179	6 902 538
Repairs on streetlights	158 559	136 001
	<b>10 610 892</b>	<b>11 290 120</b>
<b>35. Bulk purchases</b>		
Electricity	36 713 653	34 110 668
<p>Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R1 691 411.91 at a percentage of 7.1% (2016: 4.54%) in the current year. The technical losses is R1 071 993.37 (4.5%) and the non-technical losses are R 619 418.54 (2.60%)</p> <p>Water is supplied directly to residents and businesses by the district municipality.</p>		
<b>36. Contracted services</b>		
Maintenance Agreements	22 496 020	15 099 373
<b>37. Conditional grants - Operating expenditure</b>		
<b>Grants paid for projects and IDP</b>		
Human settlements capacity	675 055	-
IDP	31 855	145 004
Desrac grant	143 741	44 916
Election grant	164	-
Mokhosi milling project	-	100 979
Small town and rural village	-	46 273
EPWP incentive	1 790 000	1 780 000
Music festival	219 298	400 000
SEETA	176 742	170 782
Other grants and subsidies paid	1	165
	<b>3 036 856</b>	<b>2 688 119</b>



**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
<b>37. Conditional grants - Operating expenditure (continued)</b>		
<b>Grants paid for projects and IDP</b>		
FBS electricity	9 506 049	7 981 192
LED	-	17 972
FBS refuse	1 707 477	1 549 897
MIG salaries	2 312 380	1 753 784
Asset register	100 000	-
MSIG	-	816 404
FMG	1 503 458	1 498 865
Spatial development	98 296	141 039
FAR, revenue & exp enhancement	-	2 069 439
	<b>15 227 660</b>	<b>15 828 592</b>
	<b>18 264 516</b>	<b>18 516 711</b>

**38. General expenses**

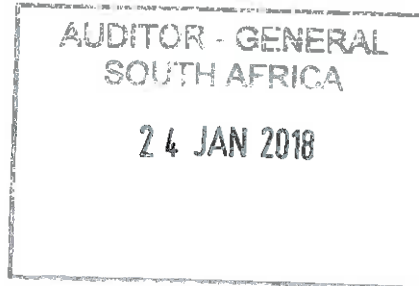
Advertising	2 008 828	2 040 433
Auditors remuneration	3 103 319	3 531 853
Bank charges	268 649	281 031
Consulting and professional fees	15 133 406	14 963 153
Consumables	2 089 374	2 535 785
Entertainment	105 000	-
Hire	88 866	156 250
Insurance	864 693	795 026
Conferences and seminars	3 176 050	1 662 592
Motor vehicle expenses	140 448	87 054
Fuel and oil	1 620 184	2 532 631
Postage and courier	142 791	135 517
Printing and stationery	1 539 150	1 032 380
Project maintenance costs	6 269 812	5 503 118
Subscriptions and membership fees	1 924 689	1 931 798
Telephone and fax	2 030 289	2 564 758
Training	2 028 047	2 536 487
Electricity	203 499	656 223
Uniforms	1 123 072	495 762
Delegates expenses	6 851 395	6 473 784
Town planning	474 724	-
Obsolete stock written off	7 011	2 657
Public participation	2 918 147	217 301
Resealing	-	1 312 145
Other expenses	261 099	382 048
Venue expenses	369 568	129 569
Chemicals	79 557	109 253
Loss on construction contract	5 106 356	-
	<b>59 928 023</b>	<b>52 068 608</b>

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## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016
<b>39. Cash generated from operations</b>		
Surplus	147 375 777	99 768 530
<b>Adjustments for:</b>		
Depreciation and amortisation	25 077 326	22 849 678
Loss on sale of assets and liabilities	208 252	285 707
Finance costs - Finance leases	8 341	-
Debt impairment	1 193 598	6 682 271
Movements in retirement benefit assets and liabilities	(296 452)	2 090 793
Movements in provisions	909 400	903 970
Write back of stale cheques	45 960	11 850
<b>Changes in working capital:</b>		
Inventories	202 774	(289 896)
Consumer debtors	(3 358 075)	(9 849 477)
Other receivables from non-exchange transactions	(13 788 392)	(9 953 277)
Prepayments	78 669	(309 008)
Payables from exchange transactions	(1 329 962)	1 610 538
VAT	1 469 841	7 082 443
Consumer deposits	3 207	(16 725)
Unspent conditional grants and receipts	(1 853 531)	(1 774 991)
	<b>155 946 733</b>	<b>119 092 406</b>



### 40. Unauthorised expenditure

Unauthorised expenditure	94 704	-
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Management did not identify unauthorised expenditure during the financial year, however it was identified during the audit. It will be reported to council and recommendations of the council will be implemented accordingly.

### 41. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	1 958 437	-
Less: Irregular expenditure written off / condoned	-	-
	<b>1 958 437</b>	<b>-</b>

Management did not identify irregular expenditure during the financial year, however it was identified during the audit. It will be reported to council and recommendations of the council will be implemented accordingly.

### 42. Audit fees

Fees	3 103 319	3 531 853
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### 43. Risk management

#### Financial risk management

#### 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.

At 30 June	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year
Trade and other payables	28 455 213	213 438	-	-

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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

Figures in Rand	2017	2016
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**43. Risk management (continued)**

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

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

Financial instrument	2017	2016
Trade receivables	8 655 656	6 665 203
Nedbank	3 140 400	5 742 709
Standard Bank	208 863	155 231
First National Bank	621 687	317 284
Short term investments	68 065 998	42 194 080

**44. Events after the reporting date**

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective as from 1 July 2017.

The main objective of this Regulations is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which-

The mSCOA regulation will have a significant impact on how municipalities budget, transact and report on transaction going forward from 1 July 2017. Traditionally, the municipality used an accounting system in which the municipality transacted and budgeted in 2 segments, namely Item and Municipal Vote.

mSCOA has now added another 5 segments to the reporting/transacting requirement detailed below:

- 1) Project – clarifying the link to the IDP on transaction level
- 2) Funding – defining the funding source that each entry contribute/utilise.
- 3) Region – Identifying the region that derives the benefit associated with the expenditure
- 4) Function – Providing a standard reporting chart throughout the country. Very similar to the former GFS classification.
- 5) Costing – transactional level to improve costing in local government.

**45. Fruitless and wasteful expenditure**

Opening balance	5 439	2 331
Fruitless and wasteful expenditure - current year	33 755	5 439
Less: amounts approved for write-off by council	-	(2 331)
	39 194	5 439

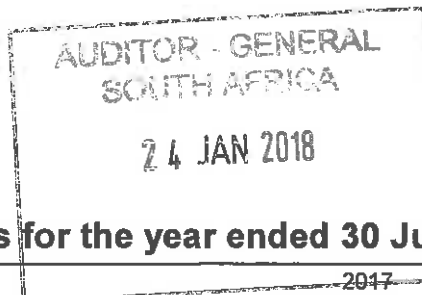
Management identified this and a report has been prepared for council deliberation and its recommendations will be implemented to either recover monies or write offs where necessary.

**46. In-kind donations and assistance**

The municipality was not engaged in any transaction or event during the year under review involving in-kind donations.

**47. Financial instruments disclosure**

**Categories of financial instruments**



Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**Financial instruments disclosure (continued)**

**2017**

**Financial assets**

	At fair value	At amortised cost	Total
Trade Receivables	-	8 655 656	8 655 656
Other receivables from non-exchange transactions	-	41 249 083	41 249 083
Consumer debtors	-	19 971 158	19 971 158
Cash and cash equivalents	72 038 196	-	72 038 196
	<b>72 038 196</b>	<b>69 875 897</b>	<b>141 914 093</b>

**Financial liabilities**

	At amortised cost	Total
Trade and other payables from exchange transactions	28 455 213	28 455 213

**2016**

**Financial assets**

	At fair value	At amortised cost	Total
Trade receivables	-	6 665 203	6 665 203
Other receivables from non-exchange transactions	-	28 032 136	28 032 136
Consumer debtors	-	16 925 249	16 925 249
Cash and cash equivalents	48 410 554	-	48 410 554
	<b>48 410 554</b>	<b>51 622 588</b>	<b>100 033 142</b>

**Financial liabilities**

	At amortised cost	Total
Trade and other payables from exchange transactions	29 785 175	29 785 175

**Fair value information**

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standards terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Fair value hierarchy of financial assets at fair value**

**Transfers out of level 1**

Short-term deposits	68 065 998	42 194 080
Bank balances and cash	3 970 948	6 215 224
	<b>72 036 946</b>	<b>48 409 304</b>

## Notes to the Annual Financial Statements for the year ended 30 June 2017

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### 48. Operating lease

The Municipality had the following operating leases in the current year:

Kokstad Copiers - The lease is held on a monthly basis. No outstanding commitment exists.

Konica Minolta - The lease is held on a monthly basis. No outstanding commitment exists.

Nedbank - The lease is held on a monthly basis. No outstanding commitment exists.

Telkom:

Within one year:	R483 729
In the second to fifth year inclusive:	R322 486

Kokstad Copiers lease 2- for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year :	R48 411
In the second to fifth year inclusive:	R8 068

Aloe Office - for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year :	R102 120
In the second to fifth year inclusive:	R110 630



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Annual Financial Statements for the year ended 30 June 2017

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**49. Contingencies****LIABILITIES****Two sisters CC vs Matatiele Local Municipality**

The municipality is being sued for non payment of a service provider. The estimated cost for the suit is R300 000.

**Blgen Africa Service Pty (Ltd) vs Matatiele Local Municipality**

The municipality is being sued due to a contractual dispute. The estimated cost for the suit is R1 000 000.

**Rashida Shaikh vs Matatiele Local Municipality**

The estimated cost for the suit is R750 000.

**Salathiso Ntabeni & others vs Matatiele Local Municipality**

The estimated cost for the suit is R300 000.

**Mrs Matshoba & others vs Matatiele Local Municipality**

Mrs Matshoba and others declared a dispute against the municipality for unfair dismissal. The estimated cost for the suit is R800 000.

**ML Hans vs Matatiele Local Municipality**

Mr Hans applied for a civil claim against the municipality regarding the unlawful impoundment of his motor vehicle. The estimated cost of the suit is R30 000.

**Diko van der Merwe vs Matatiele Local Municipality**

The municipality is being sued for non payment by a service provider. The estimated cost of the suit is between R25 000 and R30 000.

**Tripple N's, A Trading CC and 2 others vs Matatiele Local Municipality**

The estimated cost of the suit is R1 623 145.67.

**TCN Architects vs Matatiele Local Municipality**

The municipality is being sued for non payment by a service provider. The estimated cost of the suit is between R100 000 and R150 000.

**Branded Soul Productions CC vs Matatiele Local Municipality**

The estimated cost of the suit is between R15 000 and R20 000.

**ASSETS****Matatiele Local Municipality vs Striking Employees**

The estimated cost for the suit is R20 000.

**Matatiele Local Municipality vs Rashida Shaikh**

The estimated cost for the suit is R1 300 000.

**Matatiele Local Municipality vs Matshoba & others**

The estimated cost of the suit is R600 000.

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**49. Contingencies (continued)****Matatiele Local Municipality vs Mr K Klaas**

Mr Klaas is charged with assault. The estimated cost for the suit is R30 000.

**Matatiele Local Municipality vs CYA Sounds**

The municipality instructed attorneys to claim an amount that was supposed to be paid to the municipality in terms of the contract entered into between the municipality and CYA Sounds. The estimated cost of the suit is R70 000.

**Matatiele Local Municipality vs Strikers II**

The estimated cost of the suit is R3 000.

**50. Commitments****Authorised capital expenditure****Already contracted for but not provided for**

- Property, plant and equipment

	105 586 345	63 351 539
--	-------------	------------

**Total capital commitments**

Already contracted for but not provided for

	105 586 345	63 351 539
--	-------------	------------

**Authorised operational expenditure****Already contracted for but not provided for**

- Cleaning services
- Waste Collection
- Landfill site
- Financial management support
- Performance management system
- Smart Metering
- Printing solutions
- Email Management, Archiving and Continuity
- Security services
- Financial management services
- Land parcels surveying
- Internal audit services
- Land surveying - residential
- Land surveying - commercial
- Laptops for councillors
- Vehicle tracking system
- Vodacom cellphones

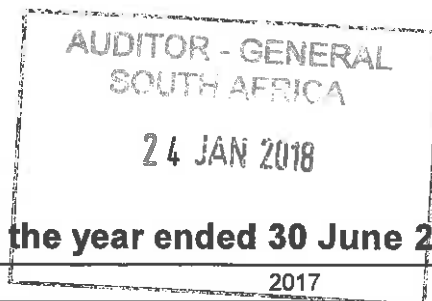
	1 174 064	4 136 346
	1 906 336	5 521 633
	2 794 158	4 907 798
	3 205 532	5 831 960
	772 390	2 687 379
	11 042 340	23 500 155
	241 400	-
	779 759	-
	19 081 742	-
	3 522 600	-
	137 558	-
	799 205	-
	287 100	-
	264 816	-
	781 418	-
	1 139 606	-
	1 549 608	-
	49 479 632	46 585 271

**Total operational commitments**

Approved and contracted for

	49 479 632	46 585 271
--	------------	------------





Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**51. Related parties**

**Relationships**

Community liaison officer	Spouse
Accountant - Payroll	Spouse

Xolani Faniso, spouse of the Community Liaison officer of the municipality, who is also a member of Bathokozeleni Trading CC, were appointed on the 13th January 2015 to provide services relating to grass cutting. Current year expenditure relating to the above amounted to R494 664. Xolani Faniso is also a member in Shakes and Xolanis Construction, who were appointed to perform construction at the Electric Depot. Current year expenditure incurred amounted to R1 281 088

Taelo Letseka, the spouse of the Accountant - Payroll of the municipality (1 November 2012 - Current), is a member of Sweet Dreams Trading who were appointed to provide grass cutting and cleaning services of various Municipal properties, the expenditure incurred amounted to R1 190 000

**52. Key Sources of Estimation Uncertainty and Judgements**

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award
- Contingencies

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions

**53. Budget differences**

Material differences between budget and actual amounts

**Income**

- Property rates - This was due to not all the debtors paying for their accounts as anticipated
- Interest earned - This was due to more interest rates being offered by financial institutions than anticipated
- Fine receipts - This was due to less fines being issued during the financial year as anticipated
- Licences and permits - This was due to more interest on driving licences and permits being required during the financial year
- Other income - This was due to plant hire income that was received during the financial year
- Profit on sale of assets - This was due to sites that were sold during the previous year

**Expenditure**

- Debt Impairment - Not all the debtors were treated as bad debts. Majority were able to pay for their accounts.
- Contracted services - Not all the contracted services were incurred to during the year
- Conditional grants - Operating expenditure - This was due to unconditional grants that were received but not fully spent during the financial year
- Contributions to capital outlay - This was due to not all anticipated capital projects were completed as anticipated

**Notes to the Annual Financial Statements for the year ended 30 June 2017**

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**54. Additional disclosure in terms of Municipal Finance Management Act****Contributions to organised local government**

Opening balance	859 291	763 330
Amount paid - current year	(859 291)	(763 330)
	-	-

**Audit fees**

Opening balance	3 103 319	3 531 853
Amount paid - current year	(3 103 319)	(3 531 853)
	-	-

**PAYE and UIF**

Opening balance	15 155 113	14 379 721
Amount paid - current year	(15 155 113)	(14 379 721)
	-	-

**VAT**

VAT receivable	6 209 005	7 678 846
----------------	-----------	-----------

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

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

**Councillors' arrear consumer accounts**

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

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
NA Ganya	-	33 162	33 162
WC Mdolomba	-	7 166	7 166
MN Mshuqwana	126	-	126
SM Mzozoyana	390	-	390
JG Van Whye	126	-	126
	<b>642</b>	<b>40 328</b>	<b>40 970</b>

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

**Supply chain management regulations - Deviations**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.

**Incident**

In an emergency	4 164 928	4 124 888
If such goods or services are produced or available from single provider only	1 126 668	419 623
In any other exceptional case where it is impractical or impossible to follow official procurement processes	24 882 962	22 521 019
	<b>30 174 558</b>	<b>27 065 530</b>



## Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

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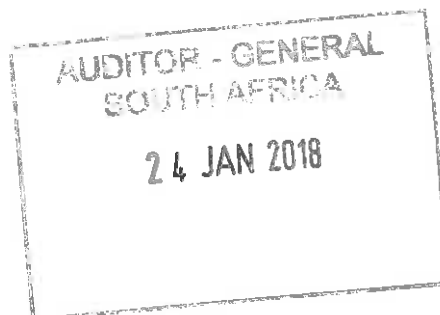
### 55. Prior period errors

Investment Property did not include properties that were still under the control of the municipality.

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

#### Statement of financial position

Investment Property	-	667 000
Accumulated Surplus or Deficit	-	(667 000)



Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand	Carrying Value of Property, Equip & Plant Rand	Other Costs in accordance with the MFMA Rand
Loan Stock						
Structured loans						
Funding facility						
Development Bank of South Africa						

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SOUTH AFRICA  
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**Appendix A****Schedule of external loans as at 30 June 2010**

Loan Number	Redeemable Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
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	-	-	-	-	-	-
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	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

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**Bonds****Other loans****Lease liability****Annuity loans**



**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012  
Accumulated depreciation  
Cost/Revaluation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)														
Landfill Sites (Separate for AFS purposes)														
Quarries (Separate for AFS purposes)														
Buildings (Separate for AFS purposes)														
<b>Infrastructure</b>														
Roads, Pavements & Bridges														
Storm water Generation														
Transmission & Reticulation														
Street lighting														
Dams & Reservoirs														
Water purification Reticulation														
Sewerage purification														
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)														
Housing														
Waste Management														
Gas														
Other (fibre optic, WIFI Infrastructure)														
Other 1														
<b>Community Assets</b>														
Parks & gardens														
Sportsfields and stadium														
Swimming pools														
Community halls														
Libraries														
Recreational facilities														
Clinics														
Museums & art galleries														
Other														
Social rental housing														
Cemeteries														
Fire, safety & emergency														
Security and policing														
Buses														

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**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012  
Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Buildings														
Other														
<b>Specialised vehicles</b>														
Refuse														
Fires														
Conservancy														
Ambulances														
Buses														
<b>Other assets</b>														
General vehicles														
Plant & equipment														
Computer Equipment														
Computer Software (part of computer equipment)														
Furniture & Fittings														
Office Equipment														
Office Equipment - Leased														
Abattoirs														
Markets														
Airports														
Security measures														
Civic land and buildings														
Other buildings														
Other land														
Bins and Containers														
Work in progress														
Other														
Other Assets - Leased														
Surplus Assets - (investment or inventory)														
Housing development														
Other														

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**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012  
Cost/Revaluation  
Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings														
Infrastructure														
Community Assets														
Heritage assets														
Specialised vehicles														
Other assets														
<b>Agricultural/Biological assets</b>														
Agricultural														
Biological assets														
<b>Intangible assets</b>														
Computers - software & programming														
Other														
<b>Investment properties</b>														
Investment property														
<b>Total</b>														
Land and buildings														
Infrastructure														
Community Assets														
Heritage assets														
Specialised vehicles														
Other assets														
Agricultural/Biological assets														
Intangible assets														
Investment properties														

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**Appendix B**

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**Analysis of property, plant and equipment as at 30 June 2011  
Accumulated depreciation  
Cost/Revaluation**

	Opening Balance Rand	Adoptions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance Rand	Opening Balance Rand	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)														
Landfill Sites (Separate for AFS purposes)														
Quarries (Separate for AFS purposes)														
Buildings (Separate for AFS purposes)														
<b>Infrastructure</b>														
Roads, Pavements & Bridges														
Storm water														
Generation														
Transmission & Reticulation														
Street lighting														
Dams & Reservoirs														
Water purification														
Reticulation														
Sewerage purification														
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)														
Housing														
Waste Management														
Gas														
Other (fibre optic, WIFI Infrastructure)														
Other 1														
<b>Community Assets</b>														
Parks & gardens														
Sportsfields and stadium														
Swimming pools														
Community halls														
Libraries														
Recreational facilities														
Clinics														
Museums & art galleries														
Other														
Social rental housing														
Cemeteries														
Fire, safety & emergency														
Security and policing														
Buses														



**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011  
Cost/Revaluation  
Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment/Loss	Closing Balance	Category Value Randed
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Buildings														
Other														
<b>Specialised vehicles</b>														
Refuse														
Fire														
Conservancy														
Ambulances														
Buses														
<b>Other assets</b>														
General vehicles														
Plant & equipment														
Computer Equipment														
Computer Software (part of computer equipment)														
Furniture & Fittings														
Office Equipment														
Office Equipment - Leased														
Abattoirs														
Markets														
Airports														
Security measures														
Civic land and buildings														
Other buildings														
Other land														
Bins and Containers														
Work in progress														
Other														
Other Assets - Leased														
Surplus Assets - (Investment or Inventory)														
Housing development														
Other														

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**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011  
Cost/Revaluation  
Accumulated depreciation**

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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand
<b>Total property plant and equipment</b>													
Land and buildings													
Infrastructure													
Community Assets													
Heritage assets													
Specialised vehicles													
Other assets													
<b>Agricultural/Biological assets</b>													
Agricultural													
Biological assets													
<b>Intangible assets</b>													
Computers - software & programming													
Other													
<b>Investment properties</b>													
Investment property													
<b>Total</b>													
Land and buildings													
Infrastructure													
Community Assets													
Heritage assets													
Specialised vehicles													
Other assets													
Agricultural/Biological assets													
Intangible assets													
Investment properties													

**Appendix C**

24 JAN 2018

**Segmental analysis of property, plant and equipment as at 30 June 2010  
Cost/Revaluation  
Accumulated Depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment deficit	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Municipality</b>														
Executive & Council/Mayor and Council							(12 716)		(12 716)				(12 716)	(25 432)
Finance & Admin/Finance														
Planning and Development/Economic Development/Plan														
Health/Clinics														
Comm. & Social/Libraries and archives														
Housing														
Public Safety/Police														
Sport and Recreation														
Environmental Protection/Pollution Control														
Waste Water Management/Sewerage														
Road Transport/Roads														
Water/Water Distribution														
Electricity/Electricity Distribution														
Other/Air Transport														
			(12 716)				(12 716)		(12 716)				(12 716)	(25 432)
<b>Municipal Owned Entities</b>														
Total			(12 716)				(12 716)		(12 716)				(12 716)	(25 432)
Municipality														
Municipal Owned Entities														

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010  
 Accumulated Depreciation  
 Cost/Revaluation

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	(12 716)	-	-	-	(12 716)	-	(12 716)	-	-	-	(12 716)	(25 432)

GENERAL  
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