CHRIS HANI DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements
for the year ended 30 June 2017

General Information

Nature of business and principal activities	Chris Hani District Municipality is a South African Category C Municipal (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998) The Municipality's operations are governed by: - Municipal Finance Management Act 56 of 2003. - Municipal Structure Act 117 of 1998. - Municipal Systems Act 32 of 2000 and various other acts and regulations.
Mayoral committee	
Executive Mayor	K. Vimbayo: Executive Mayor
	N.C Koyo: Speaker
	B. Van Heerden: Chief Whip
	S.Mbotshane: Portfoli Head Integrated Planning & Economic Development
	N. Makanda: Portfolio Head Budget & Treasury
	S. Zangqa: Portfolio Head Engineering
	N. September - Caba: Portfolio Head Health & Community Services
	N. Matiwane: Portfolio Head Special Programmes Unit
	M. Jack: Portfolio Head Corporate
Councillors	W. Gela
	M. Xhelisilo
	K. Mjezu
	S. Tame
	N.C. Goniwe
	E.G. Bomela
	B. Ntsere
	M. Adonisi
	N.Mtyobile
	F.A.N. Hendricks
	S. Kula
	E.L.Gubula
	S.E. Mvana
	N.A. Dayisi
	S.A. Nxozi
	S. Myataza
	Z. Qayiya
	Z.N.E. Ralane
	L.N. Tyali
	S.B. Nxawe
	N.Nkota
	N. Nyukwana
	T. Bikwana
	L.Gunuza- Nkwentsha
	N.C. Lali
	X.P. Xelo
	J. Cengani
	Z.R. Shweni
	M. Kondile
	K. Bizana
	Z.Deliwe

General Information

	R. Venske M. Desha
Grading of local authority	Grade 5
Accounting officer	M.A Mene
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General South Africa

Index

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

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

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

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

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

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

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

The accounting officers have reviewed the economic entity’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officers are primarily responsible for the financial affairs of the economic entity, they are supported by the economic entity's external auditors.

The consolidated annual financial statements set out on pages 5 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 29 September 2017 and were signed on its behalf by:

M.A Mene
Accounting Officer

Statement of Financial Position as at 30 June 2017

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Prepayments	7	10 765 507	13 208 472	10 765 507	13 208 472
Inventories	8	11 041 750	7 066 006	11 041 750	7 066 006
Receivables from non-exchange transactions	9	78 734 389	26 454 777	78 734 389	26 454 777
VAT receivable	10	96 248 380	-	95 992 115	-
Receivables from Exchange Transactions	11	198 470 682	152 550 616	197 563 112	151 403 219
Cash and cash equivalents	12	236 080 341	363 492 494	235 926 400	358 170 563
		631 341 049	**562 772 365**	**630 023 273**	**556 303 037**
Non-Current Assets					
Property, plant and equipment	3	4 018 874 596	3 416 265 097	4 002 055 712	3 415 000 063
Intangible assets	4	5 462 248	501 457	5 100 456	389 530
Investments in controlled entities	5	-	-	1 500 000	1 500 000
		4 024 336 844	**3 416 766 554**	**4 008 656 168**	**3 416 889 593**
Total Assets		**4 655 677 893**	**3 979 538 919**	**4 638 679 441**	**3 973 192 630**
Liabilities					
Current Liabilities					
Operating lease liability	6	64 595	50 732	64 595	50 732
Employee benefit obligation	13&15	9 365 862	8 686 392	9 365 862	8 686 392
Consumer deposits	16	212 588	122 367	212 588	122 367
Payables from exchange transactions	17	224 117 494	136 063 012	221 536 060	138 684 549
Payables from non-exchange transactions	52	2 877 922	144 790	-	-
VAT payable	53	-	50 384 168	-	48 156 556
Unspent conditional grants and receipts	18	71 690 501	84 753 670	70 046 383	80 440 451
Bank overdraft	12	33 854 007	-	33 854 007	-
		342 182 969	**280 205 131**	**335 079 495**	**276 141 047**
Non-Current Liabilities					
Deferred Tax	54	17 723	3 282	-	-
Employee benefit obligation	13	42 323 225	43 242 664	42 323 225	43 242 664
		42 340 948	**43 245 946**	**42 323 225**	**43 242 664**
Total Liabilities		**384 523 917**	**323 451 077**	**377 402 720**	**319 383 711**
Net Assets		**4 271 153 976**	**3 656 087 842**	**4 261 276 721**	**3 653 808 919**
Share capital / contributed capital		1 000	1 000	-	-
Accumulated surplus	19	4 271 152 976	3 656 086 842	4 261 276 721	3 653 808 919
Total Net Assets		**4 271 153 976**	**3 656 087 842**	**4 261 276 721**	**3 653 808 919**

* See Note 47

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	21	171 574 593	335 759 616	171 574 593	335 759 616
Other income	22	97 832 576	76 699 804	93 758 401	76 287 908
Interest received - investment	23	37 638 720	38 463 787	37 255 372	37 939 612
Total revenue from exchange transactions		**307 045 889**	**450 923 207**	**302 588 366**	**449 987 136**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	24	1 289 452 959	1 205 279 361	1 289 452 959	1 205 279 361
Total revenue	20	**1 596 498 848**	**1 656 202 568**	**1 592 041 325**	**1 655 266 497**
Expenditure					
Employee related costs	25	(255 847 114)	(244 414 163)	(245 075 313)	(235 683 967)
Remuneration of councillors	26	(9 577 450)	(9 630 880)	(9 577 450)	(9 630 880)
Depreciation and amortisation	27	(120 116 065)	(158 329 158)	(119 620 519)	(158 076 996)
Finance costs	28	(271 493)	(736 673)	(271 493)	(734 791)
Debt Impairment	29	(44 875 963)	(522 558 498)	(44 875 963)	(522 558 498)
Bulk purchases	30	(21 588 920)	(22 585 217)	(21 588 920)	(22 585 217)
Contracted services	31	(79 413 539)	(63 193 891)	(78 782 615)	(62 767 123)
Transfers and Subsidies	32	(203 811 545)	(210 881 409)	(246 619 431)	(246 534 918)
Repairs and maintenance	33	-	-	-	-
General Expenses	34	(249 871 659)	(187 933 794)	(224 998 499)	(161 284 061)
Total expenditure		**(985 373 748)**	**(1 420 263 683)**	**(991 410 203)**	**(1 419 856 451)**
Operating surplus		**611 125 100**	**235 938 885**	**600 631 122**	**235 410 046**
Gain (loss) on disposal of assets and liabilities		903 809	(1 560 554)	903 809	(1 560 554)
Surplus before taxation		**612 028 909**	**234 378 331**	**601 534 931**	**233 849 492**
Taxation	55	2 895 645	148 072	-	-
Surplus for the year		**609 133 264**	**234 230 259**	**601 534 931**	**233 849 492**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	1 000	3 921 621 075	3 921 622 075
Adjustments			
Eliminate intercompany transaction	-	(1 500 000)	(1 500 000)
Prior year adjustments	-	(498 264 493)	(498 264 493)
Balance at 01 July 2015 as restated*	**1 000**	**3 421 856 582**	**3 421 857 582**
Changes in net assets			
Surplus for the year	-	234 230 259	234 230 259
Total changes	-	234 230 259	234 230 259
Restated* Balance at 01 July 2016	**1 000**	**3 656 086 842**	**3 656 087 842**
Changes in net assets			
Other changes in accumulated surplus	-	5 932 870	5 932 870
Net income (losses) recognised directly in net assets	-	5 932 870	5 932 870
Surplus for the year	-	609 133 264	609 133 264
Total recognised income and expenses for the year	-	615 066 134	615 066 134
Total changes	-	615 066 134	615 066 134
Balance at 30 June 2017	**1 000**	**4 271 152 976**	**4 271 153 976**
Note(s)			
Controlling entity			
Opening balance as previously reported	-	3 918 242 741	3 918 242 741
Adjustments			
Prior year adjustments	-	(498 283 314)	(498 283 314)
Balance at 01 July 2015 as restated*	**-**	**3 419 959 427**	**3 419 959 427**
Changes in net assets			
Surplus for the year	-	233 849 492	233 849 492
Total changes	-	233 849 492	233 849 492
Restated* Balance at 01 July 2016	**-**	**3 653 808 911**	**3 653 808 911**
Changes in net assets			
Other changes in accumulated surplus	-	5 932 879	5 932 879
Net income (losses) recognised directly in net assets	-	5 932 879	5 932 879
Surplus for the year	-	601 534 931	601 534 931
Total recognised income and expenses for the year	-	607 467 810	607 467 810
Total changes	-	607 467 810	607 467 810
Balance at 30 June 2017	**-**	**4 261 276 721**	**4 261 276 721**
Note(s)	19		

* See Note 47

Cash Flow Statement - Economic Entity

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		53 516 622	93 385 565	21 212 040	74 670 403
Grants		1 297 592 133	1 257 982 447	1 279 912 133	1 240 982 447
Interest income		37 638 720	38 463 787	37 255 372	37 939 612
		1 388 747 475	1 389 831 799	1 338 379 545	1 353 592 462
Payments					
Employee costs		(265 170 138)	(249 090 675)	(254 412 794)	(240 429 307)
Suppliers		(559 793 754)	(512 536 497)	(531 462 509)	(487 619 958)
Finance costs		(271 493)	(736 673)	(271 493)	(734 791)
Taxes on surpluses	55	(148 070)	(700 000)	-	-
		(825 383 455)	(763 063 845)	(786 146 796)	(728 784 056)
Net cash flows from operating activities	36	**563 364 020**	**626 767 954**	**552 232 749**	**624 808 406**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(725 125 187)	(622 119 340)	(709 166 236)	(620 937 068)
Proceeds from sale of property, plant and equipment	3	3 410 813	-	3 406 562	-
Purchase of other intangible assets	4	(2 929 670)	(62 848)	(2 585 109)	-
Net cash flows from investing activities		**(724 644 044)**	**(622 182 188)**	**(708 344 783)**	**(620 937 068)**
Cash flows from financing activities					
Lease payments		13 864	36 721	13 864	36 721
Net increase/(decrease) in cash and cash equivalents		**(161 266 160)**	**7 330 049**	**(156 098 170)**	**6 596 805**
Cash and cash equivalents at the beginning of the year		363 492 494	356 162 445	358 170 563	351 573 758
Cash and cash equivalents at the end of the year	12	**202 226 334**	**363 492 494**	**202 072 393**	**358 170 563**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	176 403 700	-	**176 403 700**	171 574 593	**(4 829 107)**	Note 51
Other income	114 420 518	10 158 469	**124 578 987**	97 832 576	**(26 746 411)**	Note 51
Interest received - investment	28 791 178	3 000 000	**31 791 178**	37 638 720	**5 847 542**	Note 51
Total revenue from exchange transactions	**319 615 396**	**13 158 469**	**332 773 865**	**307 045 889**	**(25 727 976)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 130 697 000	209 464 000	**1 340 161 000**	1 289 452 959	**(50 708 041)**	Note 51
Total revenue	**1 450 312 396**	**222 622 469**	**1 672 934 865**	**1 596 498 848**	**(76 436 017)**	
Expenditure						
Personnel	(324 144 450)	(11 651 895)	**(335 796 345)**	(255 847 114)	**79 949 231**	Note 51
Remuneration of councillors	(11 954 000)	210 000	**(11 744 000)**	(9 577 450)	**2 166 550**	Note 51
Depreciation and amortisation	(130 160 500)	(28 000 000)	**(158 160 500)**	(120 116 065)	**38 044 435**	Note 51
Finance costs	(400 000)	(700 000)	**(1 100 000)**	(271 493)	**828 507**	Note 51
Debt Impairment	(196 237 000)	(3 763 000)	**(200 000 000)**	(44 875 963)	**155 124 037**	Note 51
Bulk purchases	(17 049 855)	(6 000 000)	**(23 049 855)**	(21 588 920)	**1 460 935**	Note 51
Contracted Services	(16 053 650)	(46 949 807)	**(63 003 457)**	(79 413 539)	**(16 410 082)**	Note 51
Transfers and Subsidies	(18 540 000)	(2 000 000)	**(20 540 000)**	(203 811 545)	**(183 271 545)**	Note 51
General Expenses	(550 864 148)	(12 387 996)	**(563 252 144)**	(249 871 659)	**313 380 485**	Note 51
Total expenditure	**(1 265 403 603)**	**(111 242 698)**	**(1 376 646 301)**	**(985 373 748)**	**391 272 553**	
Operating surplus	**184 908 793**	**111 379 771**	**296 288 564**	**611 125 100**	**314 836 536**	
Gain on disposal of assets and liabilities	1 000 000	-	**1 000 000**	903 809	**(96 191)**	Note 51
Surplus before taxation	**185 908 793**	**111 379 771**	**297 288 564**	**612 028 909**	**314 740 345**	
Taxation	-	-	**-**	2 895 645	**2 895 645**	Note 51
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**185 908 793**	**111 379 771**	**297 288 564**	**609 133 264**	**311 844 700**	

CHRIS HANI DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	176 403 700	-	**176 403 700**	171 574 593	**(4 829 107)**	Note 51
Other income	81 361 939	-	**81 361 939**	93 758 401	**12 396 462**	Note 51
Interest received - investment	28 283 801	3 000 000	**31 283 801**	37 255 372	**5 971 571**	Note 51
Total revenue from exchange transactions	**286 049 440**	**3 000 000**	**289 049 440**	**302 588 366**	**13 538 926**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 112 677 000	209 464 000	**1 322 141 000**	1 289 452 959	**(32 688 041)**	Note 51
Total revenue	**1 398 726 440**	**212 464 000**	**1 611 190 440**	**1 592 041 325**	**(19 149 115)**	
Expenditure						
Personnel	(312 011 000)	(13 027 000)	**(325 038 000)**	(245 075 313)	**79 962 687**	Note 51
Remuneration of councillors	(11 954 000)	210 000	**(11 744 000)**	(9 577 450)	**2 166 550**	Note 51
Depreciation and amortisation	(130 000 000)	(28 000 000)	**(158 000 000)**	(119 620 519)	**38 379 481**	Note 51
Finance costs	(400 000)	(700 000)	**(1 100 000)**	(271 493)	**828 507**	Note 51
Debt Impairment	(196 237 000)	(3 763 000)	**(200 000 000)**	(44 875 963)	**155 124 037**	Note 51
Bulk purchases	(17 049 855)	(6 000 000)	**(23 049 855)**	(21 588 920)	**1 460 935**	Note 51
Contracted Services	(16 000 000)	(46 991 000)	**(62 991 000)**	(78 782 615)	**(15 791 615)**	Note 51
Transfers and Subsidies	(18 540 000)	(2 000 000)	**(20 540 000)**	(246 619 431)	**(226 079 431)**	Note 51
General Expenses	(512 052 000)	(15 379 000)	**(527 431 000)**	(224 998 499)	**302 432 501**	Note 51
Total expenditure	**(1 214 243 855)**	**(115 650 000)**	**(1 329 893 855)**	**(991 410 203)**	**338 483 652**	
Operating surplus	**184 482 585**	**96 814 000**	**281 296 585**	**600 631 122**	**319 334 537**	
Gain on disposal of assets and liabilities	1 000 000	-	**1 000 000**	903 809	**(96 191)**	Note 51
Surplus before taxation	**185 482 585**	**96 814 000**	**282 296 585**	**601 534 931**	**319 238 346**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**185 482 585**	**96 814 000**	**282 296 585**	**601 534 931**	**319 238 346**	

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

These consolidated 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

All figures have been rounded off to the nearest rand.

1.2 Going concern assumption

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

1.3 Comparative figures

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

Where material accounting errors, which relate to prior periods, 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.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for employee obligations are based on current market conditions. Additional information is disclosed in Note 13.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

Depreciation and amortisation

Depreciation and amortisation recognised on property,plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's conditions , expected condition at the end of the reporting period in use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of it's useful life. In evaluating how the condition and the use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.5 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 economic entity; and
- the cost of the item can be measured reliably.

Inital Recognition and measurement

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.

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Subsequent measurement - Cost model

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

Depreciation

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

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

Item	Depreciation method	Average useful life
Buildings		5 - 100 years
- improvements		0
Plant and machinery		2 - 17 years
Furniture and fixtures		3 - 18 years
Motor vehicles	Straight line	4 - 20 years
Office equipment		3 - 18 years
IT equipment		3 - 13 years
Infrastructure		.
- Roads and Pavings		3 - 100 years
- Security measures		7 - 25 years
- Sewerage		7 - 100 years
- Water infrastructure		5 - 100 years
Community		
- community facilities		5 - 30 years
- recreational facilities		10 - 30 years
Emergency equipment		3 - 10 years
Bins and containers		5 - 15 years
Specialised vehicles		10 - 15 years

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

Reviewing the useful life of an asset on an annual basis does not require the 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.

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

Derecognition

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the comparatives .

Accounting Policies

1.5 Property, plant and equipment (continued)

Repairs and maintenance

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 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 economic entity or from other rights and obligations.

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

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

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Initial Recognition

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.

Subsequent measurement

Intangible assets are subsequently 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.

Accounting Policies

1.6 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation and impairment

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

Item	Useful life
Licenses and franchises	2 - 5 years
Computer software, other	2 - 5 years

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

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

1.7 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the municipality's separate financial statements, investments in non-current investments are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

1.8 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).

1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

Accounting Policies

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Classification

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

Class	Category
Long term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at fair value

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

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.

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1.8 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

Financial liabilities

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

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

Accounting Policies

1.8 Financial instruments (continued)

Presentation

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

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from reporting date and are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade and other payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value

1.9 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.

1.9 Leases (continued)

Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Share capital / contributed capital

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

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Accounting Policies

1.14 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.

Leave Pay

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 liability is based on the total amount of leave days due to the employees at reporting date and on the total cost to the municipality of the employees.

Annual Bonuses

The municipality recognises the expected cost of bonus, incentive and performance, related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. The liability relating to anticipated bonuses payable is raised and is based on the total cost to the municipality.

Long Service Awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment ie 5 yrs, 10 yrs, 15 yrs, 20 yrs etc. A liability is raised to account for the expected long service awards due to be paid in future years.

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.

Accounting Policies

1.14 Employee benefits (continued)

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.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

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.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

1.16 Revenue from exchange transactions

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

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 excluding indirect taxes, rebates and discounts.

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

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

Measurement

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

Sale of goods

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

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

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service Charges - Water

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised providing that the benefits can be measured reliably. Provisional estimates of consumption are made monthly when meter readings have not been performed for whatever reason. The provisional amounts 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.

Service Charges - Sewerage and sanitation Charges

Revenue relating to waste water management services are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage and are levied monthly.

Rental Income

Rental Income is recognised on a straight line basis over the term of the lease agreement.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Revenue from public contributions is recognised when all the 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 are brought into use. Where the contributions have been received but the conditions have not been met, a liability is recognised.

1.18 Investment income

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

1.19 Borrowing costs

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

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

Accounting Policies

1.20 Internal Reserves

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.Additional text

Government Grant Reserve (GRR)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.21 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the South African Revenue Services is included as part of receivables or payables in the Statement of Financial Position.

1.22 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements.

Accounting Policies

1.23 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.

Also included is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003)

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

1.24 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.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

1.26 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.27 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.28 Budget information

Economic Entity 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 economic entity 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.

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

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

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

1.29 Related parties

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

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

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

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

1.30 Transfer of functions between entities under common control

Definitions

An acquirer is the economic entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another economic entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another economic entity.

A transferor is the economic entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole economic entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which economic entity to the transaction or event is the transferor(s) and which economic entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which economic entity is the acquirer and which economic entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.30 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the economic entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the economic entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the economic entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the economic entity reports in its consolidated annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the economic entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the economic entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The economic entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The economic entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the economic entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the economic entity revises comparative information for prior periods presented in consolidated annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the economic entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The economic entity subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the economic entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The economic entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the economic entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting Policies

1.30 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the economic entity derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the economic entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the economic entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.31 Events after reporting date

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

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

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

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

1.32 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the entity's separate consolidated annual financial statements, investments in investments in controlled entities are carried .

The entity applies the same accounting for each category of investment.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate consolidated annual financial statements.

1.33 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

Accounting Policies

1.33 Consolidation (continued)

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

1.34 Deferred Tax

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the economic entity, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

The following accounting standards have been issued and are effective. These have been adopted by the municipality during the current financial period and the annual financial statements have been prepared in accordance with these

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 7	Investments in Associates
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash- generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash Generating Assets
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments
GRAP105	Transfer of Functions Between Entities Under Common Control
GRAP106	Transfer of Functions Between Entities Not Under Common Control

The following Interpretations have been issued and are effective. These have been adopted by the municipality during the current financial period and the financial statements have been prepared in accordance with these.

IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 3	Determining whether an arrangement contains a Lease
IGRAP 7	The limit on a Defined Benefit Asset, Minimum funding requirements and their interaction
IGRAP 10	Assets received from customers
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the Legal form of a Lease
IGRAP 15	Revenue - Barter Transactions involving advertising services
IGRAP 16	Intangible Assets - Website Cost

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

2. New standards and interpretations (continued)

- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

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

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

The economic entity expects to adopt the amendment for the first time when the Minister sets the effective date for the standard.

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

GRAP 20: Related parties

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

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

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

3. Property, plant and equipment

Economic entity	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	75 848 542	(8 164 144)	67 684 398	57 855 600	(7 616 675)	50 238 925
Infrastructure	3 524 708 248	(873 120 247)	2 651 588 001	3 317 321 211	(778 672 831)	2 538 648 380
Other property, plant and equipment	123 902 142	(58 511 032)	65 391 110	103 592 737	(42 360 182)	61 232 555
Work in progress	1 234 211 087	-	1 234 211 087	766 145 237	-	766 145 237
Total	**4 958 670 019**	**(939 795 423)**	**4 018 874 596**	**4 244 914 785**	**(828 649 688)**	**3 416 265 097**

Controlling entity	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	61 159 808	(8 114 389)	53 045 419	57 855 600	(7 616 675)	50 238 925
Infrastructure	3 524 708 248	(873 120 247)	2 651 588 001	3 317 321 211	(778 672 831)	2 538 648 380
Other property, plant and equipment	120 903 772	(57 692 567)	63 211 205	101 854 028	(41 886 507)	59 967 521
Work in progress	1 234 211 087	-	1 234 211 087	766 145 237	-	766 145 237
Total	**4 940 982 915**	**(938 927 203)**	**4 002 055 712**	**4 243 176 076**	**(828 176 013)**	**3 415 000 063**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Disposals (cost)	Disposals (Acc Dep)	Transfers received	Other changes (Cost)	Other changes (Acc dep)	Depreciation	Total
Land and Buildings	50 238 925	17 992 942	-	-	-	-	-	(547 469)	67 684 398
Infrastructure	2 538 648 380	74 298	(19 068)	19 068	207 331 806	-	-	(94 466 483)	2 651 588 001
Other property, plant and equipment	61 232 555	31 660 290	(11 344 580)	8 837 576	-	387 218	-	(25 381 949)	65 391 110
Work in progress	766 145 237	675 397 656	-	-	(207 331 806)	-	-	-	1 234 211 087
	3 416 265 097	**725 125 186**	**(11 363 648)**	**8 856 644**	**-**	**387 218**	**-**	**(120 395 901)**	**4 018 874 596**

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals (cost)	Disposals (Acc Dep)	Transfers received	Other changes (Cost)	Other changes (Acc dep)	Depreciation	Total
Land and Buildings	50 695 450	-	-	-	-	-	-	(456 525)	50 238 925
Infrastructure	2 135 888 145	4 555 764	-	-	498 070 897	-	-	(99 866 426)	2 538 648 380
Other property, plant and equipment	57 985 096	16 403 190	(2 518 920)	1 797 544	-	949 587	1 485 833	(14 869 775)	61 232 555
Work in progress	663 055 748	601 160 386	-	-	(498 070 897)	-	-	-	766 145 237
	2 907 624 439	**622 119 340**	**(2 518 920)**	**1 797 544**	**-**	**949 587**	**1 485 833**	**(115 192 726)**	**3 416 265 097**

Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Disposals (Cost)	Disposals (Acc Dep)	Transfers	Other changes (Cost)	Other changes (Acc dep)	Depreciation	Total
Land and Buildings	50 238 925	3 304 208	-	-	-	-	-	(497 714)	53 045 419
Infrastructure	2 538 648 380	74 298	(19 068)	19 068	207 331 806	-	-	(94 466 483)	2 651 588 001
Other property, plant and equipment	59 967 521	30 390 073	(11 340 329)	8 837 576	-	387 218	-	(25 030 854)	63 211 205
Work in progress	766 145 237	675 397 656	-	-	(207 331 806)	-	-	-	1 234 211 087
	3 415 000 063	**709 166 235**	**(11 359 397)**	**8 856 644**	**-**	**387 218**	**-**	**(119 995 051)**	**4 002 055 712**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals (Cost)	Disposals (Acc Dep)	Transfers	Other changes (Cost)	Other changes (Acc dep)	Depreciation	Total
Land and Buildings	50 695 450	-	-	-	-	-	-	(456 525)	50 238 925
Infrastructure	2 135 888 145	4 555 764	-	-	498 070 897	-	-	(99 866 426)	2 538 648 380
Other property, plant and equipment	57 724 543	15 220 918	(2 518 920)	1 797 544	-	949 587	1 485 833	(14 691 984)	59 967 521
Work in progress	663 055 748	601 160 386	-	-	(498 070 897)	-	-	-	766 145 237
	2 907 363 886	**620 937 068**	**(2 518 920)**	**1 797 544**	**-**	**949 587**	**1 485 833**	**(115 014 935)**	**3 415 000 063**

Pledged as security

There are no assets that have been pledged as security during the current year.

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance				
Contracted services	69 121 032	51 098 862	68 939 200	51 076 779

Details of property

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

The entity applies the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash generating Assets to assess whether items of Property, Plant and Equipment are impaired through a review of the carrying amounts of assets against the recoverable amounts for each asset. At 30 June 2017, no assets were assessed to be impaired.

4. Intangible assets

Economic entity	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 719 877	(3 257 629)	5 462 248	3 552 831	(3 051 374)	501 457

Controlling entity	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8 118 159	(3 017 703)	5 100 456	3 295 674	(2 906 144)	389 530

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Other changes (Cost)	Other changes (acc dep)	Amortisation	Total
Computer software	501 457	2 929 670	1 919 217	213 423	(101 519)	5 462 248

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Other changes (Cost)	Other changes (Acc dep)	Amortisation	Total
Computer software	669 918	62 848	(19 211)	18 362	(230 460)	501 457

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Other changes (Cost)	Other changes (Acc Dep)	Amortisation	Total
Computer software	389 530	2 585 109	1 919 217	213 423	(6 823)	5 100 456

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Other changes (Cost)	Other changes (Acc Dep)	Amortisation	Total
Computer software	546 467	(19 211)	18 362	(156 088)	389 530

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

5. Investments in controlled entities

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Chris Hani Development Agency	Chris Hani District Municipality	100,00 %	100,00 %	1 500 000	1 500 000

The carrying amounts of controlled entities are shown net of impairment losses.

Chris Hani Development Agency

The district municipality has a 100% shareholding in Chris Hani Development Agency. The purpose of the municipal entity is to carry out the promotion and implementation of the local economic development initiatives and investment promotion in Chris Hani District. The municipal entity was fully operational during the 12 months.

6. Operating lease liability/asset

Current liabilities	(64 595)	(50 732)	(64 595)	(50 732)

Operating Leases are recognised on a straight line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at the beginning of the year	50 732	14 011	50 732	14 011
Operating lease expense recorded	(4 546 774)	(2 443 790)	(4 546 774)	(2 443 790)
Operating lease payments effected	4 560 637	2 480 511	4 560 637	2 480 511
	64 595	**50 732**	**64 595**	**50 732**

7. Prepayments

Prepayments relate to payments made to Eskom for connections. As at 30 June 2017, the connections paid for had not yet been done by Eskom:

The SALGA fees for 2016/17 were paid during 2015/16.

Payments made in advance				
Eskom - Payments in advance	10 765 507	10 449 832	10 765 507	10 449 832
SALGA Fees - prepayment	-	2 758 640	-	2 758 640
	10 765 507	**13 208 472**	**10 765 507**	**13 208 472**

8. Inventories

Inventory stores	10 649 898	6 674 154	10 649 898	6 674 154
Water	391 852	391 852	391 852	391 852
	11 041 750	**7 066 006**	**11 041 750**	**7 066 006**

Due to MSCOA implementation, the following reclassifications have been made in the 2015/16 financial period. Also refer to Note 46: Prior period errors.

Inventory stores				
Balance as previously reported	-	528 660	-	528 660
Spare parts - reclassified to inventory stores	-	6 145 494	-	6 145 494
Restated Balance	**-**	**6 674 154**	**-**	**6 674 154**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

9. Receivables from non-exchange transactions

Sundry receivables - Roadworks subsidy	17 661 769	10 813 322	17 661 769	10 813 322
Enoch Mgijima LM assistance	6 003 721	-	6 003 721	-
Rental and Eskom service deposits	7 333 258	5 805 273	7 333 258	5 805 273
Government grants and subsidies	15 725 808	8 760 181	15 725 808	8 760 181
Other debtors	6 823 418	1 076 001	6 823 418	1 076 001
DHS unblocking	23 037 220	-	23 037 220	-
RBIG Debtor	2 149 195	-	2 149 195	-
	78 734 389	**26 454 777**	**78 734 389**	**26 454 777**

Government grants and subsidies consists of subsidies receivable from EC Treasury and COGTA.

Other debtors consists of amounts receivable from auction of assets undertaken by the municipality and bursary loan obligations.

In the current year the Sundry debtors have been reclassified to Receivables from exchange transactions resulting in the following changes in comparative figures, also refer to Note 46:

Sundry Receivables				
Balance as previously reported	-	29 871 382	-	13 082 530
Sundry debtors - reclassified to receivables from exchange transactions (Note 11)	-	(2 269 208)	-	(2 269 208)
Restated Balance	**-**	**27 602 174**	**-**	**10 813 322**
Receivables from non-exchange transactions				
Balance as previously reported	-	28 723 985	-	28 723 985
Sundry debtors - reclassified to receivables from exchange transactions (Note 11)	-	(2 269 208)	-	(2 269 208)
Restated Balance	**-**	**26 454 777**	**-**	**26 454 777**

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	78 734 389	29 534 777	78 734 389	26 454 777

The fair value of other trade receivables from non-exchange transactions approximates their carrying amount.

10. VAT receivable

VAT	96 248 380	-	95 992 115	-

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

11. Receivables from exchange transactions

Water	680 816 730	619 902 017	680 816 730	619 902 017
Sewerage	324 737 448	299 818 179	324 737 448	299 818 179
Sundry Debtors	14 439 776	9 237 902	14 439 776	9 237 902
Government subsidies	907 570	1 147 397	-	-
	1 020 901 524	**930 105 495**	**1 019 993 954**	**928 958 098**
Less: Allowance for impairment				
Impairment allowance	(822 430 842)	(777 554 879)	(822 430 842)	(777 554 879)
Net balance				
Water	680 816 730	619 902 017	680 816 730	619 902 017
Sewerage	324 737 448	299 818 179	324 737 448	299 818 179
Refuse	14 439 776	9 237 902	14 439 776	9 237 902
Government subsidies	907 570	1 147 397	-	-
Impairment allowance	(822 430 842)	(777 554 879)	(822 430 842)	(777 554 879)
	198 470 682	**152 550 616**	**197 563 112**	**151 403 219**
Water				
Current (0 -30 days)	800	180 373 390	800	180 373 390
31 - 60 days	15 313 934	61 791 259	15 313 934	61 791 259
61 - 90 days	16 017 269	13 016 971	16 017 269	13 016 971
91 - 120 days	13 796 481	14 322 055	13 796 481	14 322 055
121 - 365 days	120 510 211	399 081 875	120 510 211	399 081 875
> 365 days	459 704 658	-	459 704 658	-
	625 343 353	**668 585 550**	**625 343 353**	**668 585 550**
Sewerage				
Current (0 -30 days)	60	8 054 634	60	8 054 634
31 - 60 days	3 891 594	3 807 294	3 891 594	3 807 294
61 - 90 days	3 860 134	3 782 553	3 860 134	3 782 553
91 - 120 days	3 854 900	3 760 858	3 854 900	3 760 858
121 - 365 days	34 018 728	275 026 293	34 018 728	275 026 293
> 365 days	278 926 582	5 386 547	278 926 582	5 386 547
	324 551 998	**299 818 179**	**324 551 998**	**299 818 179**
Sundry Debtors				
Current (0 -30 days)	-	14 601	-	14 601
31 - 60 days	3 572	5 058	3 572	5 058
61 - 90 days	6 031	23 017	6 031	23 017
91 - 120 days	201 843	5 613	201 843	5 613
121 - 365 days	18 817	144 194	18 817	144 194
> 365 days	14 209 513	9 045 419	14 209 513	9 045 419
	14 439 776	**9 237 902**	**14 439 776**	**9 237 902**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(777 554 879)	(341 464 519)	(777 554 879)	(341 464 519)
Contributions to allowance	(44 875 963)	(436 090 360)	(44 875 963)	(436 090 360)
	(822 430 842)	**(777 554 879)**	**(822 430 842)**	**(777 554 879)**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 200	4 200	4 200	4 200
Bank balances	149 567	19 199 770	-	17 363 030
Short-term deposits	235 926 574	344 288 524	235 922 200	340 803 333
Bank overdraft	(33 854 007)	-	(33 854 007)	-
	202 226 334	**363 492 494**	**202 072 393**	**358 170 563**
Current assets	236 080 341	363 492 494	235 926 400	358 170 563
Current liabilities	(33 854 007)	-	(33 854 007)	-
	202 226 334	**363 492 494**	**202 072 393**	**358 170 563**

Short-term deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.50% to 6.70% per annum. Investments are made up of short -term deposits held for unspent conditional grants that are ringfenced until the conditions are met and utilised.

The bank overdraft was caused by systematic accruals that affected the Cash Book after year-end.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:
Excess cash is invested with reputable finance institutions with good credit ratings.

The entity 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
First National Bank - Current - 62002510693	80 515 606	132 326 812	31 460 989	(33 854 007)	16 627 715	(42 480 566)
First National Bank - Call Account - 62004499481	19 349 445	113 284 765	266 160 350	19 349 445	113 284 765	266 160 350
First National Bank - Call Account - 62190652521 (CRR)	86 217 296	110 951 667	78 161 586	86 217 296	110 951 667	78 161 586
First National Bank - Call Account - 62187939784 (Infrastructure)	115 876 841	30 031 899	221 653	115 876 840	30 031 899	221 653
First National Bank - Call Account - 62187936532 (NATIONAL)	7 233 597	86 397 673	4 233 171	7 233 597	86 397 673	4 233 171
First National Bank - Call Account - 62187938538 (PROVINCIAL)	1 254 167	3 841	5 274 805	1 254 167	3 841	5 274 805
First National Bank - Public Sector Cheque Account 62610267602	5 857 987	835 822	-	5 857 167	735 315	-
Nedbank - 03 7881076712 - 030	-	-	40 365 129	133 687	133 488	40 000 559
FNB main 62363654156	92 096	391 440	594 403	92 096	391 440	594 403
FNB Skills 62396085899	31 101	229 545	1 180	31 101	229 545	1 180
FNB Inv 62378942918	4 374	3 485 191	812 846	4 374	3 485 191	821 846
FNB DEA 62457856296	9 663	10 030	1 527 332	9 663	10 031	1 527 332
FNB Call 62541851574	10 594	1 177 942	1 650 226	10 594	1 177 942	1 650 226
FNB Mech 62540743483	5 515	24 869	-	5 515	24 869	-
FNB Petty 62540742683	598	2 913	-	598	2 913	-
Total	**316 458 880**	**479 154 409**	**430 463 670**	**202 222 133**	**363 488 294**	**356 166 545**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

13. Employee benefit obligations

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

Carrying value				
Post Retirement Medical Obligations	(32 901 878)	(35 058 915)	(32 901 878)	(35 058 915)
Long Service Awards	(12 018 079)	(10 962 326)	(12 018 079)	(10 962 326)
Staff Bonus Accrual	(5 701 462)	(4 989 860)	(5 701 462)	(4 989 860)
Performance Bonus Accrual	(1 067 668)	(917 955)	(1 067 668)	(917 955)
	(51 689 087)	**(51 929 056)**	**(51 689 087)**	**(51 929 056)**

Non-current liabilities	(42 323 225)	(43 242 664)	(42 323 225)	(43 242 664)
Current liabilities	(9 365 862)	(8 686 392)	(9 365 862)	(8 686 392)
	(51 689 087)	**(51 929 056)**	**(51 689 087)**	**(51 929 056)**

Refer to Note 14 for the disclosure relating to Long service bonus obligation.

Refer to Note 15 for the disclosure relating to the current portion of the staff leave accrual, staff bonus accrual and the performance bonus provision liabilities.

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

Opening balance	35 070 544	32 216 006	35 070 544	32 216 006
Benefits paid	(1 298 129)	(1 113 516)	(1 298 129)	(1 113 516)
Net expense recognised in the statement of financial performance	(870 537)	3 968 054	(870 537)	3 968 054
	32 901 878	**35 070 544**	**32 901 878**	**35 070 544**

Net expense recognised in the statement of financial performance

Current service cost	1 918 055	1 533 511	1 918 055	1 533 511
Interest cost	3 113 900	2 859 591	3 113 900	2 859 591
Actuarial (gains) losses	(5 902 492)	(425 048)	(5 902 492)	(425 048)
	(870 537)	**3 968 054**	**(870 537)**	**3 968 054**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(5 902 492)	(425 048)	(5 902 492)	(425 048)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,62 %	9,70 %	9,62 %	9,70 %
Net effective discount	9,62 %	9,70 %	9,62 %	9,70 %
Consumer price inflation	6,41 %	7,34 %	6,41 %	7,34 %
Health care cost inflation rate	7,91 %	8,84 %	7,91 %	8,84 %

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

13. Employee benefit obligations (continued)

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**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	5 835 433	4 368 451	5 835 433	4 368 451
Effect on defined benefit obligation	34 928	30 170	34 928	30 170

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

	2017 R	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	32 901 878	35 070 544	32 216 006	27 957 000	26 169 074
Surplus (deficit)	32 901 878	35 070 544	32 216 006	27 957 000	26 169 074
Experience adjustments on plan liabilities	-	2 854 538	4 393 102	3 847 353	5 329 200
Experience adjustments on plan assets	(870 537)	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

14. Long service awards

Reconciliation of Long service awards - Economic Entity -2017

	Opening Balance	Additions	Utilised during the year	Total
Long service awards	10 962 328	1 969 529	(913 778)	12 018 079

Reconciliation of Long service awards - Economic Entity -2016

	Opening balance	Additions	Utilised during the year	Total
Long service awards	9 701 983	2 457 114	(1 196 769)	10 962 328

Reconciliation of Long service awards - Controlling Entity -2017

	Opening Balance	Additions	Utilised during the year	Total
Long service awards	10 962 328	1 969 529	(913 778)	12 018 079

Reconciliation of Long service awards - Controlling Entity -2016

	Opening balance	Additions	Utilised during the year	Total
Long service awards	9 701 983	2 457 114	(1 196 769)	10 962 328

The municipality operates an undefined benefit plan for all its employees under the plan, a long service award is payable after years of continuous service, and every years thereafter, to 45 years of conitnuous service. the provision is an estimate of the long service based on historical staff turnover.

The most recent acturial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by ARCH Acturial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Credit Unit Method.

At year end 682 (2016: 625) employees were eligible for the Long service awards.

The current service cost for the year ending 30 June 2017 was estimated to be R1 277 322 whereas the cost of the ensuing year is estimated to be R1 490 523.

The principle assumtpions used for the purpose of the acturial valuation were as follows;

Discount rate	8.42%	8.68%	8.42%	8.68%
Consumer price inflation	5.24%	6.38%	5.24%	6.38%
Normal salary increase rate	6.24%	7.38%	6.24%	7.38%
Net effective discount rate	2.05%	1.21%	2.05%	1.21%
	-	-	-	-

Changes in the present value of the long service awards are as follows

Opening balance	10 962 328	9 701 983	10 962 328	9 701 983
Current service cost	1 277 322	1 380 328	1 277 322	1 380 328
Interest cost	887 279	723 831	887 279	723 831
Benefits paid	(913 778)	(1 196 769)	(913 778)	(1 196 769)
Acturial (gains)\losses	(195 072)	352 955	(195 072)	352 955

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016
	12 018 079	**10 962 328**	**12 018 079**	**10 962 328**
The amount recognised in the statement of financial position are as follows:				
Present value of the long service awards wholly unfunded	12 018 079	10 962 328	12 018 079	10 962 328
Net expense recognised in the statement of financial performance				
Current service costs	1 277 322	1 380 328	1 277 322	1 380 328
Interest cost	887 279	723 831	887 279	723 831
Acturial (gains)\losses	(195 072)	352 955	(1 950 720)	352 955
	1 969 529	**2 457 114**	**213 881**	**2 457 114**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

15. Current employee benefits

Staff bonus Accrual	5 701 463	4 989 860	5 701 463	4 989 860
Performance bonus accrual	1 067 668	917 955	1 067 668	917 955
Current protion of Post -retirement benefits	1 287 658	1 298 129	1 287 658	1 298 129
Current portion of Long service awards	1 309 074	1 480 450	1 309 074	1 480 450
	9 365 863	**8 686 394**	**9 365 863**	**8 686 394**

Other current employee benefits - Economic entity - 2017

	Opening balance	Additions	Reversed during the year	Total
Staff bonus accrual	4 989 860	711 603	-	5 701 463
Performance bonus accrual	917 955	149 713	-	1 067 668
	5 907 815	**861 316**	**-**	**6 769 131**

Other current employee benefits - Economic entity - 2016

	Opening balance	Additions	Reversed during the year	Total
Staff bonus accrual	4 287 478	702 382	-	4 989 860
Performance bonus accrual	838 049	79 906	-	917 955
	5 125 527	**782 288**	**-**	**5 907 815**

Other current employee benefits - Controlling entity - 2017

	Opening balance	Additions	Reversed during the year	Total
Staff bonus accrual	4 989 860	711 603	-	5 701 463
Performance bonus accrual	917 955	149 713	-	1 067 668
	5 907 815	**861 316**	**-**	**6 769 131**

Other current employee benefits - Controlling entity - 2016

	Opening balance	Additions	Reversed during the year	Total
Staff bonus accrual	4 287 478	702 382	-	4 989 860
Performance bonus accrual	838 049	79 906	-	917 955
	5 125 527	**782 288**	**-**	**5 907 815**

16. Consumer deposits

Water	212 588	122 367	212 588	122 367

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

17. Payables from exchange transactions

Trade payables	1 288 172	1 827 927	626 817	1 713 460
Payments received in advanced - contract in process	17 423 074	13 390 150	17 423 074	13 390 150
Retentions	19 657 157	15 613 050	19 460 919	15 603 460
Accrued leave pay	11 358 780	11 566 020	11 050 372	11 272 069
Deposits received	8 335	8 335	8 335	8 335
Other payables	174 365 427	93 617 075	172 966 543	96 697 075
Provision for 13th cheque	16 549	40 455	-	-
	224 117 494	**136 063 012**	**221 536 060**	**138 684 549**

Fair value of trade and other payables

Trade payables	1 288 172	1 827 927	626 817	1 713 460

The fair value of Trade and other payables approximatestheir carrying amount.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
National: Finance Management Grant	1	1	1	1
National: Municipal Water Infrastructure Grant	-	34 529 643	-	34 529 643
National: Dpt of Water Affairs and Forestry (WSOG)	-	65 445	-	65 445
National: Rural Household Infrastructure Grant (RHIG)	(1)	(1)	(1)	(1)
National: EPWP	-	747 817	-	747 817
National : WSIG	27 109 971	-	27 109 971	-
CHDM Pomegranate and Figs	234 502	234 503	-	-
IDC Mechanisation Centre Grant	-	77 139	-	-
Grain Farmers Development Association	-	303 251	-	-
CHDM SMME Dev and Invest Promotion	-	180 820	-	-
CHDM SMME Dev and Invest Promotion	227 165	1 260 882	-	-
CHDM Agricultural Production Support	136 929	395 550	-	-
ECDRDAR	76 092	-	-	-
ECDRDAR	969 430	1 861 074	-	-
	28 754 089	**39 656 124**	**27 109 971**	**35 342 905**
Unspent provincial and national funds				
Provincial: Department of Economic Affairs and Trade	360 655	1 539 115	360 655	1 539 115
Provincial: Office of the Premier	21 569	21 569	21 569	21 569
Provincial: Treasury	1 606 965	1 606 965	1 606 965	1 606 965
Provincial: Department of Transport	1 732 096	1 732 096	1 732 096	1 732 096
Provincial: Department of Economic Affairs	14 308 884	14 308 884	14 308 884	14 308 884
Provincial: DHS Unblocking	-	824 912	-	824 912
Other Spheres of Government	7 162 449	7 162 449	7 162 449	7 162 449
Lapesi Project	42 197	42 200	42 197	42 200
Provincial: Department of Housing, Local Gvt and Traditional Affairs	1 158 656	1 316 415	1 158 656	1 316 415
National: Department of Rural Development and Land Reform	402 614	402 614	402 614	402 614
National: Sport and Development	16 140 327	16 140 327	16 140 327	16 140 327
	42 936 412	**45 097 546**	**42 936 412**	**45 097 546**
Unspent conditional grants				
Unspent conditional grants and receipts	28 754 089	39 656 124	27 109 971	35 342 905
Unspent provincial and national funds	42 936 412	45 097 546	42 936 412	45 097 546
	71 690 501	**84 753 670**	**70 046 383**	**80 440 451**

The nature and extent of government grants recognised in the consolidated annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2017

	Capital replacement reserve	Government grant reserve	Donations and public contributions	Acc Surplus	Total
Opening balance	50 896 894	2 637 664 227	1 500 000	971 958 591	3 662 019 712
Surplus for the year	-	-	-	609 133 264	609 133 264
	50 896 894	**2 637 664 227**	**1 500 000**	**1 581 091 855**	**4 271 152 976**

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2016

	Capital replacement reserve	Government grant reserve	Donations and public contributions	Acc Surplus	Total
Opening balance	50 896 894	2 637 664 227	1 500 000	1 229 084 089	3 919 145 210
Surplus for the year	-	-	-	234 230 260	234 230 260
prior period errors	-	-	-	(497 288 628)	(497 288 628)
	50 896 894	**2 637 664 227**	**1 500 000**	**966 025 721**	**3 656 086 842**

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2017

	Capital replacement reserve	Government grant reserve	Donations and public contributions	Acc Surplus	Total
Opening balance	50 896 894	2 637 664 227	1 500 000	964 171 689	3 654 232 810
Surplus for the year	-	-	-	601 534 931	601 534 931
other acc surplus movements	-	-	-	5 508 978	5 508 978
	50 896 894	**2 637 664 227**	**1 500 000**	**1 571 215 598**	**4 261 276 719**

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2016

	Capital replacement reserve	Government grant reserve	Donations and public contributions	Acc Surplus	Total
Opening balance	50 896 894	2 637 664 227	1 500 000	1 227 186 934	3 917 248 055
Surplus for the year	-	-	-	233 849 492	233 849 492
Correction of errors	-	-	-	(497 288 628)	(497 288 628)
	50 896 894	**2 637 664 227**	**1 500 000**	**963 747 798**	**3 653 808 919**

20. Revenue

Service charges	171 574 593	335 759 616	171 574 593	335 759 616
Other income	97 832 576	76 699 804	93 758 401	76 287 908
Interest received - investment	37 638 720	38 463 787	37 255 372	37 939 612
Government grants & subsidies	1 289 452 959	1 205 279 361	1 289 452 959	1 205 279 361
	1 596 498 848	**1 656 202 568**	**1 592 041 325**	**1 655 266 497**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	171 574 593	335 759 616	171 574 593	335 759 616
Other income	97 832 576	76 699 804	93 758 401	76 287 908
Interest received - investment	37 638 720	38 463 787	37 255 372	37 939 612
	307 045 889	**450 923 207**	**302 588 366**	**449 987 136**

The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants & subsidies	1 289 452 959	1 205 279 361	1 289 452 959	1 205 279 361

21. Service charges

Service charges	178 400	127 651	178 400	127 651
Sale of water	128 390 692	293 503 164	128 390 692	293 503 164
Sewerage and sanitation charges	43 005 501	42 128 801	43 005 501	42 128 801
	171 574 593	**335 759 616**	**171 574 593**	**335 759 616**

22. Other income

Private telephone calls	59 103	35 265	59 103	35 265
Tender fees	382 827	459 574	315 967	453 624
Commission on collections	200 868	194 417	200 868	194 417
Skills development fund	-	12 000	-	12 000
Plant rentals	-	164 803	-	164 803
Sundry revenue	94 940 668	75 833 745	91 025 426	75 427 799
Other income	2 168 101	-	2 157 037	-
Agency fees	81 009	-	-	-
	97 832 576	**76 699 804**	**93 758 401**	**76 287 908**

23. Investment revenue

Interest revenue				
Bank	2 564 853	2 395 338	2 181 505	1 871 163
Interest- Eskom deposits	934 034	163 601	934 034	163 601
Interest received - Investments	34 139 833	35 862 404	34 139 833	35 862 404
Interest received - other	-	42 444	-	42 444
	37 638 720	**38 463 787**	**37 255 372**	**37 939 612**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies

Revenue from conditional grants				
National:Finance Management Grant	1 500 000	1 500 000	1 500 000	1 500 000
National: Municipal Infrastructure Grant	271 423 000	273 543 999	271 423 000	273 543 999
National: EPWP	7 797 000	5 213 183	7 797 000	5 213 183
National: Rural Road Asset Management Grant	3 097 002	3 015 998	3 097 002	3 015 998
National: Municipal systems improvement grant	-	940 000	-	940 000
National: RHIG	-	4 000 000	-	4 000 000
National: Dpartment of Water Affairs and Forestry (WSOG)	-	4 999 927	-	4 999 927
National: MWIG	34 529 643	86 078 357	34 529 643	86 078 357
WSIG Operational	4 500 000	-	4 500 000	-
	322 846 645	**379 291 464**	**322 846 645**	**379 291 464**
Revenue from conditional agency fees				
Provincial: Department of Human Settlement Unblocking	23 862 132	20 422 157	23 862 132	20 422 157
Provincial :Road Subsidies	27 800 000	30 575 232	27 800 000	30 575 232
Provincial: DHLGTA	157 758	579 526	157 758	579 526
Provincial: Treasury -COGTA	21 700 000	27 904 146	21 700 000	27 904 146
DEDEAT	3 153 460	1 992 885	3 153 460	1 992 885
Water Services Infrastructure Grant	69 987 029	-	69 987 029	-
Regional bulk infrastructure Grant	335 055 195	291 330 921	335 055 195	291 330 921
	481 715 574	**372 804 867**	**481 715 574**	**372 804 867**
	804 562 219	**752 096 331**	**804 562 219**	**752 096 331**
Revenue from other Unconditional Grants and Subsidies				
Equitable share	484 455 262	446 759 000	484 455 262	446 759 000
LGSETA	435 478	310 362	435 478	310 362
Provincial: Health	-	6 113 668	-	6 113 668
	484 890 740	**453 183 030**	**484 890 740**	**453 183 030**

Included in above are the following grants and subsidies received:

Conditional grants received	804 562 219	752 096 331	804 562 219	752 096 331
Unconditional grants received	484 890 740	453 183 030	484 890 740	453 183 030
	1 289 452 959	**1 205 279 361**	**1 289 452 959**	**1 205 279 361**

Equitable Share

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

Provincial: Treasury

Balance unspent at beginning of year	1 606 965	1 606 965	1 606 965	1 606 965

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

Provincial: Treasury - COGTA

Current-year receipts	14 034 654	19 843 685	14 034 654	19 843 685
Conditions met - transferred to revenue	(21 700 000)	(27 904 146)	(21 700 000)	(27 904 146)
Portion of grant recognised as debtor	7 665 346	8 060 461	7 665 346	8 060 461
	-	-	-	-

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

National: Municipal Infrastructure Grant (MIG)

Current-year receipts	271 423 000	273 544 000	271 423 000	273 544 000
Conditions met - transferred to revenue	(271 423 000)	(273 544 000)	(271 423 000)	(273 544 000)
	-	-	-	-

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

National: Department of Rural Development and Land Reform

Balance unspent at beginning of year	402 614	402 614	402 614	402 614

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

National: Sport and Development

Balance unspent at beginning of year	16 140 327	16 140 327	16 140 327	16 140 327

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

Provincial: Office of the Premier

Balance unspent at beginning of year	21 569	21 569	21 569	21 569

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

Department of Transport

Balance unspent at beginning of year	1 732 096	1 732 096	1 732 096	1 732 096

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

Provincial: Department of Economic Affairs

Balance unspent at beginning of year	14 308 884	14 308 884	14 308 884	14 308 884

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

Provincial: Department of Housing, Local Gvt and Traditional Affairs

Balance unspent at beginning of year	1 316 415	1 395 941	1 316 415	1 395 941
Current-year receipts	-	500 000	-	500 000
Conditions met - transferred to revenue	(157 759)	(579 526)	(157 759)	(579 526)
	1 158 656	**1 316 415**	**1 158 656**	**1 316 415**

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

ECDRDAR

Current-year receipts	2 550 000	-	-	-
Conditions met - transferred to revenue	(2 473 908)	-	-	-
	76 092	**-**	**-**	**-**

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

National: Other Spheres of Government

Balance unspent at beginning of year	7 162 449	7 162 449	7 162 449	7 162 449

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

National: Department of Water Affairs and Forestry (WSOG)

Balance unspent at beginning of year	65 445	65 372	65 445	65 372
Current-year receipts	-	5 000 000	-	5 000 000
Conditions met - transferred to revenue	-	(4 999 927)	-	(4 999 927)
Rollover deducted from equitable share	(65 445)	-	(65 445)	-
	-	**65 445**	**-**	**65 445**

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

Provincial: Lapesi Project

Balance unspent at beginning of year	42 200	42 200	42 200	42 200
Other	(3)	-	(3)	-
	42 197	**42 200**	**42 197**	**42 200**

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

National: EPWP

Balance unspent at beginning of year	747 817	-	747 817	-
Current-year receipts	7 797 000	5 961 000	7 797 000	5 961 000
Conditions met - transferred to revenue	(7 797 000)	(5 213 183)	(7 797 000)	(5 213 183)
Rollover deducted from equitable share	(747 817)	-	(747 817)	-
	-	**747 817**	**-**	**747 817**

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

National: Municipal Water Infrastructure Grant

Balance unspent at beginning of year	34 529 643	-	34 529 643	-
Current-year receipts	-	120 608 000	-	120 608 000
Conditions met - transferred to revenue	(34 529 643)	(86 078 357)	(34 529 643)	(86 078 357)
	-	**34 529 643**	**-**	**34 529 643**

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

National: Rural Household Infrastructure Grant

Balance unspent at beginning of year	(1)	(1)	(1)	(1)
Current-year receipts	-	4 000 000	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)	-	(4 000 000)
	(1)	**(1)**	**(1)**	**(1)**

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

National: Municipal Systems Improvement Grant (MSIG)

Current-year receipts	-	940 000	-	940 000
Conditions met - transferred to revenue	-	(940 000)	-	(940 000)
	-	**-**	**-**	**-**

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

Department of Human Settlement Unblocking

Balance unspent at beginning of year	824 912	1 858 951	824 912	1 858 951
Current-year receipts	-	19 388 118	-	19 388 118
Conditions met - transferred to revenue	(23 862 133)	(20 422 157)	(23 862 133)	(20 422 157)
Transferred to debtors	23 037 221	-	23 037 221	-
	-	**824 912**	**-**	**824 912**

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

Provincial: DEDEAT

Balance unspent at beginning of year	1 539 115	-	1 539 115	-
Current-year receipts	1 975 000	3 532 000	1 975 000	3 532 000
Conditions met - transferred to revenue	(3 153 460)	(1 992 885)	(3 153 460)	(1 992 885)
	360 655	**1 539 115**	**360 655**	**1 539 115**

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

Municipal Infrastructure services grant (WSIG) - Operational

Current-year receipts	4 500 000	-	4 500 000	-
Conditions met - transferred to revenue	(4 500 000)	-	(4 500 000)	-
	-	**-**	**-**	**-**

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

National: Finance Management Grant

Balance unspent at beginning of year	1	1	1	1
Current-year receipts	1 500 000	1 500 000	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(1 500 000)	(1 500 000)	(1 500 000)
	1	**1**	**1**	**1**

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

CHDM Agricultural Production Support

Balance unspent at beginning of year	395 550	-	-	-
Current-year receipts	-	2 327 640	-	-
Conditions met - transferred to revenue	(258 621)	(1 932 090)	-	-
	136 929	**395 550**	**-**	**-**

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

CHDM Bursary Fund Grant

Balance unspent at beginning of year	234 503	-	-	-
Current-year receipts	2 000 000	2 191 668	-	-
Conditions met - transferred to revenue	(1 809 019)	(1 957 165)	-	-
Inter company elimination	(190 982)	-	-	-
	234 502	**234 503**	**-**	**-**

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

Grain farmers Development Association

Balance unspent at beginning of year	303 251	477 362	-	-
Conditions met - transferred to revenue	(303 251)	(174 111)	-	-
	-	**303 251**	**-**	**-**

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

Road Subsidies

Current-year receipts	25 798 142	30 575 232	25 798 142	30 575 232
Conditions met - transferred to revenue	(27 800 000)	(30 575 232)	(27 800 000)	(30 575 232)
Transferred to debtors	2 001 858	-	2 001 858	-
	-	**-**	**-**	**-**

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

CHDM SMME Development and Invest promotion

Balance unspent at beginning of year	1 260 882	-	-	-
Current-year receipts	-	4 385 965	-	-
Conditions met - transferred to revenue	(1 033 717)	(3 125 083)	-	-
	227 165	**1 260 882**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

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

IDC Mechanisation centre grant

Balance unspent at beginning of year	77 139	-	-	-
Current-year receipts	-	3 438 776	-	-
Conditions met - transferred to revenue	(77 139)	(3 361 637)	-	-
	-	**77 139**	**-**	**-**

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

National: Regional Bulk Infrustructure Grant

Current-year receipts	332 906 000	291 330 921	332 906 000	291 330 921
Conditions met - transferred to revenue	(335 055 195)	(291 330 921)	(335 055 195)	(291 330 921)
Transferred to debtors	2 149 195	-	2 149 195	-
	-	**-**	**-**	**-**

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

National: WSIG

Current-year receipts	97 097 000	-	97 097 000	-
Conditions met - transferred to revenue	(69 987 029)	-	(69 987 029)	-
	27 109 971	**-**	**27 109 971**	**-**

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

National: DOT -Rural Road Asset management grant

Current-year receipts	3 097 000	3 016 000	3 097 000	3 016 000
Conditions met - transferred to revenue	(3 097 000)	(3 016 000)	(3 097 000)	(3 016 000)
	-	**-**	**-**	**-**

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

DEA - Waste Management Programme

Current-year receipts	-	624 847	-	-
Conditions met - transferred to revenue	-	(624 847)	-	-
	-	**-**	**-**	**-**

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

CHDM Pomergranade and figs

Balance unspent at beginning of year	180 820	-	-	-
Current-year receipts	-	438 597	-	-
Conditions met - transferred to revenue	(180 820)	(257 777)	-	-
	-	**180 820**	**-**	**-**

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

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

24. Government grants and subsidies (continued)

CHDM Irrigation schemes

Balance unspent at beginning of year	-	29 933	-	-
Current-year receipts	2 214 819	4 791 346	-	-
Conditions met - transferred to revenue	(2 214 819)	(4 821 279)	-	-
	-	**-**	**-**	**-**

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

CHDM SEZ Facilitation

Balance unspent at beginning of year	1 861 074	-	-	-
Current-year receipts	-	2 192 983	-	-
Conditions met - transferred to revenue	(891 644)	(331 909)	-	-
	969 430	**1 861 074**	**-**	**-**

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

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act …of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Employee related costs

Basic	162 978 527	161 155 426	154 133 108	153 870 602
Bonus	14 698 753	10 776 365	13 968 969	10 263 362
Overtime payments	9 916 928	6 506 015	9 916 928	6 506 015
Medical aid - company contributions	11 301 017	10 400 819	10 983 417	10 155 188
Pension fund contributions	22 298 059	19 058 491	22 298 059	19 058 491
Group life insurance	638 381	523 320	638 381	523 320
UIF	1 406 234	1 048 734	1 374 001	1 023 365
WCA	26 736	39 049	-	-
Travel, motor car, accommodation, subsistence and other allowances	23 920 024	21 143 979	23 920 024	21 143 979
Housing benefits and allowances	1 875 440	1 852 144	1 875 440	1 852 144
Leave pay provision charge	3 488 969	4 819 681	3 278 679	4 722 738
Industrial council levies	54 635	49 000	54 635	49 000
Defined contribution plans	609 739	6 938 915	-	6 413 538
Long-service awards	2 633 672	21 430	2 633 672	21 430
Termination benefits	-	80 795	-	80 795
	255 847 114	**244 414 163**	**245 075 313**	**235 683 967**

Due to MSCOA implementation , the following reclassifications have been made in the 2015/16 financial period. Also refer to note 46: prior period errors.

Termination benefits				
Balance as previously reported	-	19 662 605	-	19 662 605
Reclassification - to Pension fund contributions	-	(19 058 491)	-	(19 058 491)
Reclassification - to Group life insurance	-	(523 319)	-	(523 319)
	-	**80 795**	**-**	**80 795**

Employee costs				
Balance as previously reported	-	246 191 079	-	237 460 873
SDL - reclassified to general expenses	-	(1 776 916)	-	(1 776 916)
	-	**244 414 163**	**-**	**235 683 957**

Remuneration of municipal manager - M.A Mene

Annual Remuneration	1 168 200	1 025 809	1 168 200	1 025 809
Car and other Allowances	430 652	485 994	430 652	485 994
Contributions to UIF, Medical and Pension Funds	242 325	192 805	242 325	192 805
Service Bonus	93 465	82 793	93 465	82 793
Other	41 485	63 929	41 485	63 929
	1 976 127	**1 851 330**	**1 976 127**	**1 851 330**

Remuneration of chief finance officer - N. Fetsha

Annual Remuneration	964 915	869 707	964 915	869 707
Car and other allowance	400 791	384 085	400 791	384 085
Contributions to UIF, Medical and Pension Funds	168 911	36 816	168 911	36 816
Service bonus	79 242	70 194	79 242	70 194
Other	36 816	51 507	36 816	51 507
	1 650 675	**1 412 309**	**1 650 675**	**1 412 309**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Employee related costs (continued)

Remuneration of director: Corporate services - Y. Matakane-Dakuse

Annual Remuneration	964 865	869 707	964 865	869 707
Car and other allowance	354 683	356 550	354 683	356 550
Contributions to UIF, Medical and Pension Funds	211 132	194 183	211 132	194 183
Service bonus	79 242	70 194	79 242	70 194
Other	35 094	55 859	35 094	55 859
	1 645 016	**1 546 493**	**1 645 016**	**1 546 493**

Remuneration of Director: Health services - Y. Sinyanya

Annual Remuneration	964 865	869 707	964 865	869 707
Car and other allowance	373 137	367 166	373 137	367 166
Contributions to UIF, Medical and Pension Funds	195 353	178 275	195 353	178 275
Service bonus	79 242	70 194	79 242	70 194
Other	128 196	54 107	128 196	54 107
	1 740 793	**1 539 449**	**1 740 793**	**1 539 449**

Remuneration of Director: Integrated Planning and Development - Z Shasha

Annual Remuneration	172 179	-	172 179	-
Car Allowance	63 746	-	63 746	-
Contributions to UIF, Medical and Pension Funds	34 976	-	34 976	-
Other	1 095	-	1 095	-
	271 996	**-**	**271 996**	**-**

Mr Z. Shasha was appointed from 26 April 2017. In the prior year the position was vacant.

Remuneration of director: Strategic Services -B. Mthembu

Annual Remuneration	964 762	869 707	964 762	869 707
Car and other allowances	366 562	361 896	366 562	361 896
Contributions to UIF, Medical and Pension Funds	208 417	189 328	208 417	189 328
Service bonus	79 242	70 194	79 242	70 194
Other	30 429	48 922	30 429	48 922
	1 649 412	**1 540 047**	**1 649 412**	**1 540 047**

Remuneration of Director: Technical services - M. Dungu

Annual Remuneration	964 865	869 709	964 865	869 709
Car and other Allowance	354 683	488 832	354 683	488 832
Contributions to UIF, Medical and Pension Funds	212 328	37 965	212 328	37 965
Service bonus	79 242	212 328	79 242	212 328
Other	37 679	55 856	37 679	55 856
	1 648 797	**1 664 690**	**1 648 797**	**1 664 690**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Employee related costs (continued)

Remuneration of CHDA Chief Executive Officer

Annual Remuneration including social contributions	1 319 565	1 267 498	-	-
Performance Bonuses	210 769	218 052	-	-
Contributions to UIF, Medical and Pension Funds	93 001	94 552	-	-
	1 623 335	**1 580 102**	**-**	**-**

Remuneration of CHDA Chief finance officer

Annual Remuneration including social contributions	1 098 618	988 242	-	-
Performance Bonuses	140 603	95 203	-	-
Contributions to UIF, Medical and Pension Funds	102 679	99 145	-	-
	1 341 900	**1 182 590**	**-**	**-**

Remuneration of CHDA executive manager - operations

Annual Remuneration including social contributions	1 114 634	1 015 124	-	-
Performance Bonuses	97 496	57 012	-	-
Contributions to UIF, Medical and Pension Funds	103 946	101 119	-	-
	1 316 076	**1 173 255**	**-**	**-**

26. Remuneration of councillors

Executive Mayor	961 705	942 781	961 705	942 781
Mayoral Committee Members	5 113 696	4 939 768	5 113 696	4 939 768
Speaker	743 735	762 620	743 735	762 620
Councillors	2 134 031	2 273 411	2 134 031	2 273 411
Chief Whip	624 283	712 300	624 283	712 300
	9 577 450	**9 630 880**	**9 577 450**	**9 630 880**

27. Depreciation and amortisation

Property, plant and equipment	120 109 242	158 173 070	119 613 696	157 920 908
Intangible assets	6 823	156 088	6 823	156 088
	120 116 065	**158 329 158**	**119 620 519**	**158 076 996**

28. Finance costs

Trade and other payables	271 493	734 791	271 493	734 791
Late payment of tax	-	1 882	-	-
	271 493	**736 673**	**271 493**	**734 791**

29. Debt impairment

Debt impairment	44 875 963	522 558 498	44 875 963	522 558 498

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

30. Bulk purchases

Water	21 588 920	22 585 217	21 588 920	22 585 217

31. Contracted services

Outsourced Services	26 040	3 595 234	26 040	3 595 234
Consultants and professional services	10 266 467	8 499 795	9 817 375	8 095 110
Contractors - repairs and maintenance	69 121 032	51 098 862	68 939 200	51 076 779
	79 413 539	**63 193 891**	**78 782 615**	**62 767 123**

Due to MSCOA implementation, the following reclassifications have been made in the 2015\16 financial period. lso refer to Note 46: Prior period errors.

Contracted services				
Balance as previously reported	-	11 382 977	-	11 382 977
Repairs & maintenance - reclassified from repairs and maintenance	-	51 098 862	-	51 076 779
Pauper burials - reclassified from grants and subsidies	-	46 880	-	46 880
Consulting and professional fees - reclassified from general expenses	-	806 616	-	401 931
PY Adjustment	-	(141 444)	-	(141 444)
	-	**63 193 891**	**-**	**62 767 123**

32. Grant and subsidies paid

CSPS	14 928 607	7 462 751	14 928 607	7 462 751
Community projects	97 952 055	200 817 452	107 479 941	219 470 961
Adopted Schools	480 000	800 000	480 000	800 000
Municipl infrastructure grant	83 957 397	-	83 957 397	-
Chris Hani Development Agency	-	-	33 280 000	17 000 000
ISDR	1 993 486	1 801 206	1 993 486	1 801 206
WSIG operational	4 500 000	-	4 500 000	-
	203 811 545	**210 881 409**	**246 619 431**	**246 534 918**

The municipality has donated R13 600 000 to Chris Hani Development Agency for purchase of office building during the current year. This amount has been included in the controlling entity balance of R33 280 000.

Due to MSCOA implementation, the following reclassifications have been made in the 2015/16 financial period. Also refer to Note 46: Prior period errors.

Community projects				
Balance as previously reported	-	212 339 431	-	230 992 941
Indigent subsidy - reclassified to General expenses (Note 34)	-	(11 521 980)	-	(11 521 980)
	-	**200 817 451**	**-**	**219 470 961**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

32. Grant and subsidies paid (continued)

Grants and subsidies				
Balance as previously reported	-	213 186 311	-	248 839 820
CSPS - reclassified from General expenses (Note 34)	-	7 462 752	-	7 462 752
Pauper Burials - reclassified to contracted services (Note 31)	-	(46 880)	-	(46 880)
ISDR - reclassified from General expenses (Note 34)	-	1 801 206	-	1 801 206
Indigent subsidy - reclassified to General expenses (Note 34)	-	(11 521 980)	-	(11 521 980)
	-	**210 881 409**	**-**	**246 534 918**

33. Repairs and maintenance

Repairs and maintenance	-	-	-	-

Due to MSCOA implementation, the following reclassifications have been made in the 2015/16 financial period. Also refer to Note 46: Prior period errors;

Balance as previously reported	-	51 098 862	-	51 076 779
Repairs & maintenance - reclassified to contracted services (Note 31)	-	(51 098 862)	-	(51 076 779)
	-	**-**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

34. General expenses

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016
Accounting fees	-	182 886	-	-
Advertising	2 801 486	1 706 786	2 546 753	1 515 136
Annual report	92 117	83 539	-	-
Approved Course	133 865	66 824	133 865	66 824
Auditors remuneration	6 988 266	6 493 318	5 611 139	5 198 179
Bad debts written off	46 087 254	(16 429)	43 499 855	-
Bank charges	1 089 885	299 731	1 065 463	266 488
Travel - overseas	101 569	28 299	-	-
Board expenses	855 626	731 536	-	-
Board fees	864 500	731 500	-	-
Board tools of trade	20 896	14 021	-	-
CHDA project costs	16 239 086	21 330 195	-	-
Chemicals	6 209 290	6 931 667	6 209 290	6 931 667
Circumcision program	94 500	54 787	94 500	54 787
Cleaning	30 740	17 446	-	-
Communication	1 508 451	1 947 569	1 508 451	1 947 569
Computer expenses	3 738 434	2 640 007	3 425 579	2 374 896
Conferences and seminars	31 297	492 455	-	492 455
Consumables	496 091	424 508	496 091	424 128
Corporate research	110 809	83 401	-	-
Delegated management - WSA	51 714 033	48 307 825	51 714 033	48 307 825
Education and marketing	1 157 749	894 725	1 157 749	894 725
Electricity	27 126 345	21 947 847	27 100 063	21 919 949
Entertainment	1 254 922	1 492 792	1 133 253	1 437 684
Fuel and oil	17 671 974	8 994 173	17 589 710	8 971 367
Indigent subsidy	10 806 763	11 521 980	10 806 763	11 521 980
Insurance	1 441 066	1 110 240	1 347 923	1 060 883
Lease rentals on operating leases	5 461 285	6 173 806	5 048 990	5 777 218
Meeting fees - audit committee	583 521	217 707	583 521	217 707
Motor vehicle expenses	1 938 914	881 214	1 936 784	881 214
Postage and courier	271 295	55 083	268 746	42 240
Printing and stationery	995 630	2 946 557	876 279	2 873 264
Promotions	18 729	10 410	18 729	10 410
Protective clothing	1 643 816	1 847 827	1 643 816	1 847 827
Public events	6 193 657	5 256 443	6 193 657	5 256 443
Purchase of samples	72 475	205 695	72 475	205 695
Rates	357 829	371 476	357 829	371 476
HR payroll services	17 282	16 045	-	-
Refuse	69 986	64 996	69 986	64 996
Security (Guarding of municipal property)	7 533	8 183	-	-
Skills Development Levy	1 941 552	1 776 916	1 941 552	1 776 916
Software expenses	5 836 860	1 547 811	5 836 860	1 547 811
Recruitment costs	2 548	21 590	-	-
Staff welfare	225 229	209 656	216 697	208 706
Strategic sessions	2 255 736	1 352 462	2 255 736	1 352 462
Study assistance reimbursements	76 449	179 611	76 449	179 611
Subscriptions and membership fees	3 450 458	5 139 988	3 425 380	5 134 319
Sundries	56 846	75 805	56 846	75 805
Telephone and fax	4 410 645	4 286 046	4 344 605	4 286 046
Tools and equipment	(377 771)	515 858	(377 771)	515 858
Training	1 581 610	1 901 106	1 329 076	1 561 249
Travel - local	13 354 087	13 212 750	12 623 333	12 565 121
VIP Expenditure	234 900	54 000	234 900	54 000
Venue expenses	-	107 817	-	107 817
Water inventory adjustments	-	102 048	-	102 048
Water sampling	523 544	881 260	523 544	881 260
	249 871 659	**187 933 794**	**224 998 499**	**161 284 061**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

34. General expenses (continued)

Due to MSCOA implementation, the following reclassifications have been made in the 2015/16 financial period. Also refer to Note 46: Prior period errors.

General expenses				
Balance as previously reported	-	184 705 474	-	157 651 057
ISDR - reclassified to Grants and Subsidies (Note 32)	-	(1 801 206)	-	(1 801 206)
CSPS - reclassified to Grants and Subsidies (Note 32)	-	(7 462 752)	-	(7 462 752)
Consulting and professional fees - reclassified to contracted services (Note 31)	-	(806 616)	-	(401 931)
SDL - reclassified from employee costs (Note 25)	-	1 776 916	-	1 776 916
Indigent subsidy - reclassified from Transfers and subsidies (Note 32)	-	11 521 980	-	11 521 980
Restated balance	**-**	**187 933 796**	**-**	**161 284 064**

35. Auditors' remuneration

External audit fees	6 583 310	6 037 610	5 611 139	5 198 179
Internal audit fees	404 956	455 708	-	-
	6 988 266	**6 493 318**	**5 611 139**	**5 198 179**

36. Cash generated from operations

Surplus	609 133 264	234 230 259	601 534 931	233 849 492
Adjustments for:				
Depreciation and amortisation	120 116 065	158 329 158	119 620 519	158 076 996
(Loss) gain on sale of assets and liabilities	(903 809)	1 560 554	(903 809)	1 560 554
Debt impairment	44 875 963	436 090 360	44 875 963	436 090 360
Other non cash movements	2 270 207	-	2 461 190	-
Movements in retirement benefit assets and liabilities	239 968	4 885 541	239 968	4 885 541
Adjustment to impairment processed through Acc surplus	-	(86 468 138)	-	(86 468 138)
Changes in working capital:				
Inventories	(3 975 745)	911 087	(3 975 745)	911 087
Consumer debtors	(90 822 351)	(125 795 471)	(91 035 855)	(127 045 897)
Other receivables from non-exchange transactions	(49 199 612)	(10 293 796)	(52 279 612)	(8 693 127)
Prepayments	2 442 965	12 592 901	2 442 965	12 592 901
Payables from exchange transactions	85 000 804	8 308 224	82 851 511	8 232 669
VAT	(146 632 548)	(45 992 293)	(144 148 671)	(44 964 450)
Unspent conditional grants and receipts	(12 018 945)	38 884 164	(9 540 827)	35 703 086
Consumer deposits	90 221	77 332	90 221	77 332
other payables from non-exchange transactions	2 747 573	(551 928)	-	-
	563 364 020	**626 767 954**	**552 232 749**	**624 808 406**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Infrastructure	511 840 261	812 331 696	510 157 335	808 541 876
• Community	4 341 400	247 882 185	4 341 400	247 882 185
	516 181 661	**1 060 213 881**	**514 498 735**	**1 056 424 061**
Not yet contracted for and authorised by member				
• Infrastructure	51 068 837	9 078 055	51 068 837	9 078 055
• Community	14 641 606	1 699 404	14 641 606	1 699 404
	65 710 443	**10 777 459**	**65 710 443**	**10 777 459**
Total capital commitments				
Already contracted for but not provided for	516 181 661	1 060 213 881	514 498 735	1 056 424 061
Not yet contracted for and authorised by member	65 710 443	10 777 459	65 710 443	10 777 459
	581 892 104	**1 070 991 340**	**580 209 178**	**1 067 201 520**

This committed expenditure relates to plant and equipment and will mainly be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Grant and Municipal Water Infrastructure Grant) as well as available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortagage facilities, existing cash resources, internally generated funds, etc

Authorised operational expenditure

Already contracted for but not provided for				
• Operational expenditure	751 861	84 112	-	-
Total operational commitments				
Already contracted for but not provided for	751 861	84 112	-	-

Total commitments

Total commitments				
Authorised capital expenditure	581 892 104	1 070 991 340	580 209 178	1 067 201 520
Authorised operational expenditure	751 861	84 112	-	-
	582 643 965	**1 071 075 452**	**580 209 178**	**1 067 201 520**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (buildings)

Minimum lease payments due				
- within one year	721 944	2 798 662	721 944	2 798 662
- in second to fifth year inclusive	504 648	369 972	504 648	369 972
	1 226 592	**3 168 634**	**1 226 592**	**3 168 634**

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

37. Commitments (continued)

Operating leases - as lessee (other equipment)

Minimum lease payments due				
- within one year	417 466	2 332 779	417 466	1 907 003
- in second to fifth year inclusive	-	299 161	-	299 161
	417 466	**2 631 940**	**417 466**	**2 206 164**

Certain of the economic entity's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

38. Contingencies

Contingent liabilities

Litigations				
Contractual claim by Ziphi-niphi Enterprise against Eyethu Engineers and CHDM	96 660	96 660	96 660	96 660
Claim against CHDM in respect of a contract entered into with Inxuba Yethemba	-	180 052	-	180 052
Letter of Demand issued by Hlumisa to CHDM in respect of amounts due and payable	-	3 800 000	-	3 800 000
Claim against CHDM regarding the supply and delivery of materials	28 885	28 885	28 885	28 885
Claim by GK Water (t/a GK water solutions) against CHDM in respect of services rendered	1 391 027	1 391 027	1 391 027	1 391 027
Claim by Cradock Golf Club against CHDM and one other in respect of damages	32 265	32 265	32 265	32 265
Claim by T O Madywabe against CHDM in respect of damages for personal injury	300 000	300 000	300 000	300 000
Claim by Martiq 876 CC and one other against CHDM in respect of damages as a result of a motor vehicle accident	-	1 163 314	-	1 163 314
Claim by Norland Construction (Pty) Limited against CHDM in respect of services rendered	2 162 442	2 162 442	2 162 442	2 162 442
Claim by Element Consulting Engineers (Pty) Ltd against CHDM for goods supplied and services rendered. Summons issued for breach of contract and action defended. Plaintiff applied for Summary judgement, leave to defend granted. No further action taken by plaintiff.	1 217 246	-	1 217 246	-
Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and services rendered.	5 359 088	-	5 359 088	-
Claim by Edward Silas Bikitsha against CHDM for damages suffered due to unlawful utilisation of land	558 000	-	558 000	-
Claim by A M Putter and 4 others regarding obligation of CHDM to pay medical aid contribution to surviving spouse of deceased employee / retired employee. Amount indeterminable.	-	-	-	-
Application by Vezizinto Co-operative to interdict CHDM and 4 others for using applicant's land	100 000	100 000	100 000	100 000
Claim by Oducare Eastern cape (Pty) Ltd for breach of contract. The case has been inactive since the special pleases for non-joinder and lack of locus standi and also authority were filed	180 052	180 052	180 052	180 052
interest and penalties that may be charged by SARS for output VAT that has not been declared	-	372 281	-	-
	11 425 665	**9 806 978**	**11 425 665**	**9 434 697**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

39. Related parties

Relationships	
Accounting officer	Refer to accounting officer's report note
Associates	Chris hani Development Agency
Members of key management	Key management of the entity have relationships with businesses as indicated below:
Mene Moppo	Member of Gibela Trade and Invest 1118
Mfecane Anita	Member of Anitaza Trading
Somkoko Mvuyeleni	Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise;
Delubom Lindile	Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Memani Thobela Headwell	Child is a Member of Vunoleo Building & Civil Youth Construction
Fumbeza Ntombifikile	33,33% Membership in Thembalobom Manufacturing & Enterprise CC
Jaxa-Dusubana Vuyokazi	33,33% Membership in Seven Mile Trading 132 CC, Member of AHLS Investments; Spouse has 33% membership in Galindo Trading 121 CC
Makonza Asanda	100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction &Projects
Shasha Mzwamadoda Moses	100% Membership in Safika Rural Development Consultants
Mapatwana Ntombizanele	Member of Brainwave Project 205
Gqodo Zixolisile	Member of GZ Civil Engineering and Member of FC Builders &Construction
Katsere Tendai	35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise
Gobeni Nonelela	Director of Hi-Lite Development Agency; Member of Ulutho Funerals
Makwabe Thandisizwe	50% Membership in Mokoti Construction
Tito Sibongile	Director of Smith Tabata
Lucando Bulelani	33% membership in El Shaddai Civil and Building Contractors
Mohale Reatile	Director of Reatile Transport and Projects
Manciya Aviwe	Director of M&M Makwande Trading
Petela Neziwe	Member of Kumbu &Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413
Baatjies Eldridge Denzil	Director in BS Holdings
Dlova Zingisile Gidion	Director in Zinbar Enterprise
Madikane Thozama	50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership in Silkyline Hair Studio
Nqwemeshe Nomvuyo	Spouse is a member of Liso Security Services &Trading
COUNCILLORS	REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

39. Related parties (continued)

Bula Mzwandile Nelson	20% Membership in Polonius Investments; 25% Membership in Bendis Investments; 100% Membership in Gobashe Trading Enterprise; 100% Membership in Zinkamba Trading 1002; Membership in Mthunziwethu Trading Co-operative Limited.
Cengani Jongumzi	25% Membership in Four of us Construction & Development; 50% Membership in Manga Manga Trading Enterprise; 100% Membership in Ntandoyam Trading 44; 33% Membership in CMZ Tours
Deliwe Zanemvula	Director of Beyond 2030 Consulting Services; Member of Top-Town Farmers Agricultural Cooperation
Dyantyi Sinethemba Reginald	Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre
Gela Wongama	Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'Iuntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
Goniwe Nyameka	33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions
Koyo Mxolisi Clifford	Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service
Kulashe-Ndyumbu Thandeka	Director and Founding Member of DDX General Trading; Director and Founding Member of Mayidede General Trading
Mdwayingana William	Member of Mdwamtwa Construction &faciliation; Member of Mpoza-mpoza Business Solutions; Member of Masichume Fattening Agriculture; Director of Bring About
Magwashu Nongazi Gladys	50% Membership in Magwashu Development Projects
Mandile Prince Phillip	50% Membership in Mfe-Gebe Trading
Mbolo Skosana	25% Membership in Amabandla Construction; 50% Membership in Monde Skosana Building Construction
Mfundsi Nomalizo	33% Membership in Hewu Farming Project
Myataza Saziso	Member of Hluthamhlali Multi-purpose Trading
Nkwentsha-Gunuza Lindiwe	Director of Lembede Investment Holdings (Pty) Ltd; Director of Lembede Strategic Investments (Pty) Ltd
Nobongoza Humphrey	Director of Madcomsol Holdings (company has been deregistered); 25% Membership in Sangolekhaya Funeral Services; 100% Membership in Sunrise Coach Services; 100% Membership in TandoLuzuko Trading & Projects
Nontsele Mncedisi	33,30% Membership in Izibele Management Services; 25& membership in Maq-no Security &Cleaning Services
Nquma Nombuyiselo Patricia	33,40% Membership in Fenas and Nquma Civils and Property Developers

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

39. Related parties (continued)

Ntakana Siyavuma	100% Membership in Ntakana Brothers Transport and Construction; Member of Abahlobo Benene Trading and Projects
Plata Sithembele David	100% Membership in Daves Energy Distribution CC
Radzilani NR	Mmeber of Forecast Traders
Roskruge N	30% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise
Shweni ZR	Spouse is a member of Shweni Trading, Ngxongounathi security, Bomi investment Holdings, Bomi investment Holdings, Eand So civil engineering and construction, Hlumisa Travelling Agency, Ezomso training and conference centre, Lilitha vehicle hire, Manzana Mancoba and Shweni Heavy Duty Transportation; Olona Trading and Project
Twani Sylvia	Director of Qamata Tembisile Hani Intergrated Energy Centre Co-operative limited
Vimbayo Kholisa	Member of Border Rural Committee; 50% membership in Sikho Social Development Facilitators
Xoseni Nkululeko George	100% Membership of Danscho Financial Services
MUNICIPAL EMPLOYEES	EMPLOYEES OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Hlahla Mtibe NNV	Spouse is a member of Yovo Trading Enterprise
Mankayi BJ	Spouse is a member of Mandush General Trading (Pty) Ltd
Pukwana PC	Spouse is a director of Chris Hani District Cooperative Development Centre
BUYILE MKHONTWANA	Has interest in Mvulane Catering & Construction
Mrs T SIQWAYI- ENVIR HEALTH PRACT GR 2	SPOUSE SAKIWO SIQWAYI- has an interest in JOLKS TRADING
MRS NNV HLAHLA MTIBE- ADMINISTRATOR	SPOUSE SINDEZAMA MTIBhas an interest in YOVO TRADING ENTERPRISE
MR MM SHASHA- SENIOR MANAGER WSA	Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC
Mrs. SL PETER- ENVIR HEALTH ASSIST GR 2	Spouse/Partner/Associate NOMBULELO CYNTHIA KHANZI has an interest in BUYILE NO88 CONSTRUCTION AND CATERING
MR M KAMTENI- WATER PROCESS CONTROLLER	Spouse/Partner/Associate MPUTHUMI NELSON DYANTYI has an intereset in GOLDEN REWARDS 954 CC
MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA)	Spouse/Partner/Associate AGNES MAKAZI MATROSS has an interest in MAMA TROSKIE TRADING ENTERPRISE
MR PCK PUKWANA- LED OFFICER (SMME)	Spouse/Partner/Associate SIPHENDULWE MATANZIMA has an interest in UBUSO BETHU QAMATA GENERAL TRADING
TURWANA MKUMBUZI	Spouse has an interest in Blooming Africa Trading (Pty) Ltd
MASHEBA LINDA	Spouse has an interest in Bayolo Business Enterprise (Pty) Ltd.
LWANA KOLEKA	Interest in Zano-Buntu Trading Enterprise (Pty) Ltd

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

39. Related parties (continued)

Related party transactions

Interest paid to (received from) related parties				
RURAL SUPPORT SERVICES			-	148 109
Classy Trade Investments 1094 CC			-	6 092 491
SMITH TABATA INC			-	2 376
Yovo Trading Enterprise			7 500	26 650
Chris Hani District Co-operative Development Centre			-	17 603 950
PASIN PETROLEUM ENERGY			-	59 900
NDUMIE AND THOZIE TRADING ENTERPRISE			-	19 810
THIVOVO GENERAL TRADING(PTY)LTD			-	13 410
ROYAL HASKONING DHV			-	12 977 162
DIMENSION DATA (PTY)LTD			-	39 505
BIGEN AFRICA GROUP HOLDINGS (PTY) LTD			-	2 164 334
CQS TECHNOLOGY HOLDINGS (PTY) LTD			-	149 983
BITLINE SA 1060CC			-	485 427
BUYILE NO88 CONSTRUCTION AND CATERING			-	24 065
GOLDEN REWARDS 954 CC			-	7 300
MAMA TROSKIE TRADING ENTERPRISE			-	17 600
Maliphathwe Trading			37 170	-
Wezi Gqiza			13 185	-
Izaphetha Trading & Projects			18 400	-
K2011115430 (Pty) Ltd			3 590	-
Hope Fountain Investment 268 CC			97 475	-
Phalethu 0513 Event Management			9 000	-
Bonelani Supplying Services Cc			17 900	-
Somila Constructors Cc			372 671	-
PP Joni Trans Enterprise			16 860	-
Lukhozi Consulting Engineers			2 375 548	-
Stopsina General Trading			8 400	-
Qwathi Tolo Farms			417 240	-
Amatola irrigation & Civils			122 875	-

40. Unauthorised expenditure

Opening balance	665 860 717	482 420 015	665 860 717	482 420 015
Unauthorised expenditure	3 037 340	183 440 702	3 037 340	183 440 702
Unauthorised expenditure written off	(183 440 702)	-	(183 440 702)	-
	485 457 355	**665 860 717**	**485 457 355**	**665 860 717**

During 2016/17 financial year, the municipality tabled the adjusted budget for 2015/16 to council in addressing unauthorised expenditure for the 2015/16 financial year in terms of section 28(2)(g) of the MFMA read together with regulation 23(6)(b) of the MBRR. An adjustment budget contemplated in section 28(2)(g) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act..

The unauthorised expenditure amounting to R3 307 340 was caused by the Department of Roads which has a budget amount of R27 800 000 and actual expenditure of R 30 837 340. An invoice was sent to the Department of Roads.

Notes to the Consolidated Annual Financial Statements

41. Fruitless and wasteful expenditure

Opening balance	3 062 710	2 177 236	3 062 710	2 177 236
Fruitless and wasteful expenditure - current year: Finance Costs	310 089	736 674	271 493	734 792
Fruitless and wasteful expenditure - current year: Cancellation of tender adverts	263 435	150 682	263 435	150 682
Less amount written off	(38 596)	(1 882)	-	-
	3 597 638	**3 062 710**	**3 597 638**	**3 062 710**

42. Irregular expenditure

Opening balance	1 204 892 781	1 105 183 087	1 204 892 781	1 105 183 087
Add: Irregular Expenditure - current year	41 607 571	101 581 151	41 607 571	99 709 694
Less: Amounts written off as not recoverable	(93 898 546)	(1 871 457)	(93 898 546)	-
	1 152 601 806	**1 204 892 781**	**1 152 601 806**	**1 204 892 781**

Analysis of expenditure awaiting condonation per age classification

Current year	41 607 571	99 709 694	41 607 571	99 709 694
Prior years	774 167 460	674 457 767	774 167 460	674 457 767
	815 775 031	**774 167 461**	**815 775 031**	**774 167 461**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement processes not followed	None	2 163 119
Tender documentation not obtained	None	38 946 419
SCM Treasury Regulations for procurement of goods/services not followed	None	498 033
		41 607 571

Details of irregular expenditure condoned

	Witten - off by	
Irregular expenditure written-off 30 August 2017	Council	93 898 546

Notes to the Consolidated Annual Financial Statements

Figures in Rand

43. Additional disclosure in terms of MFMA

Contributions to local government				
Current year subscription/fee	2 758 640	2 309 578	2 758 640	2 309 578
Amount paid	2 758 640	(2 309 578)	(2 758 640)	(2 309 578)
	5 517 280	**-**	**-**	**-**
Audit fees				
Current year subscription/fee	6 988 266	6 493 318	5 611 139	5 198 179
Amount paid	(6 988 266)	(6 493 318)	(5 611 139)	(5 198 179)
	-	**-**	**-**	**-**
PAYE and UIF				
Opening balance	-	(5 624)	-	-
Current year subscription/fee	40 155 440	35 319 282	37 388 790	33 271 170
Amount paid	(39 959 131)	(35 319 282)	(37 388 790)	(33 271 170)
	-	5 624	-	-
	196 309	**-**	**-**	**-**
Pension and medical aid deductions				
Current year subscription/fee	33 291 603	29 291 230	33 291 603	29 291 230
Amount paid	(33 291 603)	(29 291 230)	(33 291 603)	(29 291 230)
	-	**-**	**-**	**-**
VAT				
VAT receivable	96 248 380	-	95 992 115	-
Vat payable	-	50 384 168	-	48 156 556
	96 248 380	**50 384 168**	**95 992 115**	**48 156 556**

All VAT returns have been submitted by the due date throughout the year based on a 1 month, category C tax period, ie submission is due on the last day of each of the 12 months. The municipality uses the payments Basis to account for the tax payable.

43. Irregular expenditure (continued)

Non -compliance with the Municipal Finance Management Act

A summary of the Municpalty's pertinent non-compliance with the MFMA are as follows:

- Section 15 of MFMA - Appropriation of funds for expenditure: Expenditure was incurred in excess within the limits of the amounts appropriated for the different votes in an approved budget.
- Section 62 of MFMA - General financial management functions: The accounting officer did not take all reasonable steps to ensure the appropriate management of expenditure of the Municipality.
- Section 32(4) of MFMA - Unauthorised, irregular or fruitless and wasteful expenditure: The Municipality did not promptly inform the mayor, the MEC for local government in the province and the Auditor-General of any unauthorised, irregular or fruitless and wasteful expenditure incurred.
- Section 32(2) of MFMA - Unauthorised, irregular or fruitless and wasteful expenditure: The Municipality did not take the necessary steps to recover Unauthorised, irregular or fruitless and wasteful expenditure.
- Section 65 of MFMA - Expenditure management: The accounting officer did not take all reasonable steps to ensure that the financial administration of the Municipality is appropriately managed.
- Section 122 of MFMA - Preparation of financial statements: The Municipality did not prepare Annual Financial Statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.
- Section 63 of MFMA - Asset and liability management: The accounting officer did not take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register.
- Section 115 of MFMA - Supply Chain Management - Implementation of the system: The accounting officer did not take all reasonable steps to implement the supply chain management policy of the municipality and to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of irregular practices.Section 15 of the MFMA - Appropriation of funds for expenditure

44. Deviation from supply chain management regulations

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

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

Deviations: Economic entity - 30 June 2017	**Mayor's office and MM's office**	**Budget and Treasury Office**	**Technical Services**	**Other**	**Corporate services and health services**	**Total**
Emergency situation	-	-	100 719	130 375	-	231 094
Sole supplier	-	-	-	59 403	-	59 403
Other exceptional cases	-	-	-	882 119	-	882 119
	-	-	100 719	1 071 897	-	1 172 616
	-	**-**	**100 719**	**1 071 897**	**-**	**1 172 616**

45. Water distribution losses

Water losses	47 962 670	40 913 332	47 962 670	40 913 332

46. Change in estimate

Property, plant and equipment

The revised GRAP 17 - Property, Plant and Equipment, requires the review of the useful life of an asset at least at each financial year end. The Municipality revised the estimated remaining useful lives for moveable assets with effect from 30 June 2017.

The revisions were accounted for prospectively as a change in accounting estimates and as a result , the carrying amounts of the moveable assets of the municipality for the current financial year end have been increased by R 1 732 932

The amount of the effect in future periods is not disclosed because estimating it is impracticable.

47. Prior period errors

Property, Plant and Equipment opening balances were corrected to take into account differences between the general ledger and the Fixed Asset Register.

Land previously incorrectly classified as buildings was correctly classified and recorded as building. Depreciation that was charged due to this incorrect classification was reversed.

The WIP balance was also corrected to take into account completed projects that were erraneously included in the WIP balance and not transferred to infrastructure assets.

The infrastructure opening balances were corrected to take into account differences between the general ledger and the fixed asset register. The opening balances for cost and accumulated depreciation were corrected to take into account completed projects that were previously not transferred from WIP.

Other property, plant and equipment opening balances for cost and accummulated depreciation were corrected to take into account differences between the general ledger and the fixed asset register.

In the prior year the debtors balance was overstated due to overbilling for some debtors, the Trade and other receivables balance from exchange transactionshas been corrected to take into account the overbilling. The impairment has also been reduced as a result of the decrease in debtors balance.

Trade and other payables have been adjusted to take into account prior year accruals that were previously not raised but were paid during current year and to correct the retention balances that were incorrectly raised.

Revenue from government grants has been corrected to take into account retention amounts that were incorrectly recognised as revenue thus overstating the prior year balance.

Prepayments were restated to account for SALGA 16/17 fees that were paid in 15/16.

The VAT payable to SARS was overstated by R18 813.

The disclosure note for receivables from exchange was not disclosed separately , all receivables where disclosed as receivables from non exchange transactions.

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

47. Prior period errors (continued)

Comparatives

Land and Buildings				
Carrying amount as previously reported	-	50 383 209	-	50 383 209
Land incorrectly classified as buildings - adj to acc depreciation	-	(144 284)	-	(144 284)
Restated Balance	**-**	**50 238 925**	**-**	**50 238 925**
Infrustructure assets				
Carrying amount as previously reported	-	2 628 138 667	-	2 628 138 667
Correction of opening balances to align to FAR- cost	-	6 001 223	-	6 001 223
Correction of opening balances to align to FAR and accounting for dep on projects previously not transferred - acc dep	-	(113 207 549)	-	(113 207 549)
Accounting for completed projects previously not transferred	-	17 730 051	-	17 730 051
Prior year adjustment for retention amount previously not accounted for	-	(14 012)	-	(14 012)
Restated Balance	**-**	**2 538 648 380**	**-**	**2 538 648 380**
Other property,plant and equipment				
Carrying amount as previously reported	-	57 901 739	-	56 636 705
Correction of opening balances to align to FAR - cost	-	1 709 223	-	1 709 223
Correction of opening balances to align to FAR - acc dep	-	1 621 592	-	1 621 592
Restated Balance	**-**	**61 232 554**	**-**	**59 967 520**
Work in progress				
Carrying amount as previously reported	-	1 093 976 173	-	1 093 976 173
Accounting for completed projects previously not transferred	-	(17 730 051)	-	(17 730 051)
Correction of opening balances to align to FAR - Cost	-	(310 100 885)	-	(310 100 885)
Restated Balance	**-**	**766 145 237**	**-**	**766 145 237**
Intangible Assets				
Balance as previously reported	-	501 457	-	389 530
Adjustment to cost	-	(137 726)	-	(137 726)
Adjustment to Accum depreciation	-	137 726	-	137 726
Restated Balance	**-**	**501 457**	**-**	**389 530**
Trade and other receivables from exchange transactions				
Balance as previously reported	-	111 349 407	-	111 349 407
Prior year adjustment to debtors due to overstatement of debtors	-	(172 936 275)	-	(172 936 275)
Adjustment to impairment as a result of change in balance	-	86 468 138	-	86 468 138
Reclassification of sundry debtors	-	2 269 208	-	2 269 208
Adjustment for VAT	-	124 252 742	-	124 252 742

Notes to the Consolidated Annual Financial Statements

Figures in Rand

47. Prior period errors (continued)

Reclassification from receivables from non exchange	-	1 147 397	-	-
Restated Balance	**-**	**152 550 617**	**-**	**151 403 220**
Payables from exchange transactions				
Balance as previously reported	-	135 864 904	-	138 486 442
Raising prior year accruals paid in current year	-	320 479	-	320 479
reclassification of consumer deposits	-	(122 367)	-	(122 367)
Restated Balance	**-**	**136 063 016**	**-**	**138 684 554**
Government Grants and subsidies				
Balance as previously reported	-	85 606 910	-	1 204 426 119
Correcting prior year conditions met that were overstated by retention amount	-	(853 241)	-	(853 241)
Restated Balance	**-**	**84 753 669**	**-**	**1 203 572 878**
Prepayments				
As previously reported	-	10 449 832	-	10 449 832
SALGA prepayment raised	-	2 758 640	-	2 758 640
Restated balance	**-**	**13 208 472**	**-**	**13 208 472**

The aggregate effect of the prior period adjustments and reclassifications on the comparative figures in the financial statements for the year ended 30 June 2016 is as follows;

Statement of financial performance	As ppreviously reported	Prior Period error	Reclassifications	Restated as at 30 June 2016
Revenue				
Revenue from exchange transactions				
Service charges	335 759 616	-	-	335 759 616
Other Income	76 699 805	-	-	76 699 805
Interest received	38 463 787	-	-	38 463 787
Revenue from non- exchange transactions				
Government grants and subsidies	1 204 426 120	853 242	-	1 205 279 362
Expenditure				
Employee related costs	(246 191 070)	-	1 776 916	(244 414 154)
Remuneration of councillors	(9 630 879)	-	-	(9 630 879)
Depreciation and amortisation	(158 329 159)	-	-	(158 329 159)
Finance costs	(736 674)	-	-	(736 674)
Debt impairment	(522 558 497)	-	-	(522 558 497)
Repairs and maintenance	(51 098 862)	-	51 098 862	-
Bulk purchases	(22 585 217)	-	-	(22 585 217)
Contracted services	(11 382 977)	141 444	(51 952 358)	(63 193 891)
Grants and subsidies paid	(213 186 311)	-	2 304 902	(210 881 409)
General expenses	(184 705 474)	-	(3 228 322)	(187 933 796)
Loss on disposal of assets and liabilties	(1 560 555)	-	-	(1 560 555)
Taxation	(148 072)	-	-	(148 072)
Surplus for the year	**233 235 581**	**994 686**	**-**	**234 230 267**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

47. Prior period errors (continued)

Statement of financial position	As previously reported	Prior period errors	Reclassifications	Restated as at 30 June 2016
Current Assets				
Inventories	7 066 006	-	-	7 066 006
Receivables from non- exchange transactions	29 871 385	(1 147 397)	(2 269 208)	26 454 780
VAT Receivable	76 073 387	(124 229 942)	48 156 555	-
Prepayments	10 449 832	2 758 640	-	13 208 472
Receivables from exchange transactions	111 349 407	38 932 001	2 269 208	152 550 616
Cash and Cash equivalents	363 492 494	-	-	363 492 494
Non current assets				
Property, plant and equipment	3 830 399 787	(414 134 691)	-	3 416 265 096
Intangible assets	501 457	-	-	501 457
Current Liabilities				
Operating lease liability	(50 732)	-	-	(50 732)
Employee benefit obligation	(8 686 392)	-	-	(8 686 392)
Payables from exchange transactions	(135 864 904)	(320 479)	122 372	(136 063 011)
Payables from non-exchange transactions	(148 072)	3 282	-	(144 790)
VAT payable	(2 246 425)	18 813	(48 156 555)	(50 384 167)
Consumer deposits	-	-	(122 372)	(122 372)
Unspent conditional grants and receipts	(85 606 910)	853 240	-	(84 753 670)
Non- current liabilities				
Employee benefit obligation	(43 242 664)	-	-	(43 242 664)
Deferred tax	-	(3 282)	-	(3 282)
Accumulated surplus	(4 153 356 656)	497 269 815	-	(3 656 086 841)
Share capital	(1 000)	-	-	(1 000)
	-	-	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand

48. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

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

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settles by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, economic entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The economic entity’s risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk by maintaining adequate reserves and banking facilities. The budget and treasury office monitors the cashflow requirements on a regular basis.

The municipality's cashflows consist of short term deposits and current accounts with notice periods of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the municipality's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such , the municipality is not able to select only credit worthy counterparts.

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The existing trade receivables portfolio has historically been significantly impaired as a result of a number of contributing factors . Trade receivables are thus presented net of an allowance for impairment.

Except for trade and other receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Financial instrument	Economic entity - 2017	Economic entity - 2016	Controlling entity - 2017	Controlling entity - 2016
Cash and cash equivalents	316 458 880	479 156 707	316 304 939	473 832 479
Trade debtors	933 893	4 227 397	-	-

48. Risk management (continued)

Market risk

Interest rate risk

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

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

Market risk consists primarily of interest rate risk

Interest rate risk is defined as the risk that the fair value of future cashflows associated with a financial instrument will flactuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cashflow risk exposures on long term financing.

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

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures risk.

Notes to the Consolidated Annual Financial Statements

49. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	197 563 112	-	197 563 112
Other receivables from non-exchange transactions	-	78 734 389	-	78 734 389
Prepayments	-	10 765 507	-	10 765 507
Cash and cash equivalents	235 926 400	-	-	235 926 400
	235 926 400	**287 063 008**	**-**	**522 989 408**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Retirement benefit obligation	-	51 689 087	-	51 689 087
Trade and other payables from exchange transactions	-	221 112 161	-	221 112 161
	-	**272 801 248**	**-**	**272 801 248**

Economic entity - 2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	27 150 477	-	27 150 477
Other receivables from non-exchange transactions	-	26 454 777	-	26 454 777
Prepayments	-	13 208 472	-	13 208 472
Cash and cash equivalents	358 170 563	-	-	358 170 563
	358 170 563	**66 813 726**	**-**	**424 984 289**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Retirement benefit obligation	-	51 929 056	-	51 929 056
Trade and other payables from exchange transactions	-	138 260 659	-	138 260 659
	-	**190 189 715**	**-**	**190 189 715**

49. Financial instruments disclosure (continued)

Controlling entity - 2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	197 563 112	-	197 563 112
Other receivables from non-exchange transactions	-	78 734 389	-	78 734 389
Prepayments	-	10 765 507	-	10 765 507
Cash and cash equivalents	235 926 400	-	-	235 926 400
	235 926 400	**287 063 008**	**-**	**522 989 408**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Retirement benefit obligation	-	51 689 087	-	51 689 087
Trade and other payables from exchange transactions	-	221 112 161	-	221 112 161
	-	**272 801 248**	**-**	**272 801 248**

Controlling entity - 2016

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	27 150 477	-	27 150 477
Other receivables from non-exchange transactions	-	26 454 777	-	26 454 777
Prepayments	-	13 208 472	-	13 208 472
Cash and cash equivalents	358 170 563	-	-	358 170 563
	358 170 563	**66 813 726**	**-**	**424 984 289**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Retirement benefit obligation	-	51 929 056	-	51 929 056
Trade and other payables from exchange transactions	-	138 260 659	-	138 260 659
	-	**190 189 715**	**-**	**190 189 715**

50. Events after the reporting date

There were no non-adjusting events after the reporting date:

51. Budget differences

Material differences between budget and actual amounts

51. Budget differences (continued)

Revenue:

1. Services charges: The decrease on billing is caused by the write off of indigent.

2. Other Income: Over collected because of spending on conditional grants as the material amount of other revenue relates to VAT from conditional.

3. Interest received - Investment : The municipality has invested more during the financial year;

4. Government Grants and subsidies: This amount includes capital grants. The budget include full budget allocation of Department of human settlement, the department did not transfer the expenditure incurred during the financial year.

Expenditure

1. Personnel: Under – expenditure arose due to certain vacant position that were budgeted for were not filled earlier in the financial year or not filled at all.

2. Remuneration of Councilors: The underspending of 17% was due to medical aid that was budgeted for but not fully spent.

3. Depreciation and amortization: CHDM did accommodate the adjusted budget, however the actual depreciation decrease was caused by the review of asset infrastructure after the full verification of infrastructure assets.

4. Finance cost: There was an improvement in the payment of service providers hence the reduction in interest.

5. Bulk purchase: Variance is not significant.

6. Contracted service: The increase on contracted service is caused by the reclassification of repairs and maintenance.

7. Government grants and subsidies: Under – expenditure was as a result of projects under equitable share that could not been completed and the rollover was requested for 2017/18.

8. General expense : Under expenditure was due to the budget that was allocated , however the municipality paid less than the budgeted amount as the projects moved over to 2017/18

9. Debt impairment : The variance in debt impairment was caused by the decrease in the required provision to be made versus the current debt book in line with the credit control policy.

10. Bad debts written off : the variance is due to indigent debtors that have been written off during the financial year as per council resolution.

Chris Hani Development Agency

1. The agency anticipated to receive funds as per the agreement signed with different stakeholders including the parent municipality. Big conntributor is the Lukhanji buy back project in Lukhanji

2. Tender fees budget is based on tenders issued. In the last quarter of the financial year management decided to issue tenders in preparation for the new financial year and also changing planning so that implementation can be effective in the next financial year and that resulted in a number of tenders being issued.

3. Management fees were anticipated to be received from external funders that we are implementing projects on their behalf (DEA Lukhanji Buy Back Project) which were not received.

4. Budgeted more for interest income anticipating that we will be getting income from for programs which we didnt receive and ended up having over budgeting on interest income.

5. Received less operational grant from CHDM than budgeted due unavailability of funds from the parent municipality side.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

51. Budget differences (continued)

6. Personel budget was spent as anticipated as other positions where put on hold due to office space challeges and the budget was revised down during budget review.

7. Depreciation was under budgeted in the current financial year
.
8. Lease rentals on operating lease spent as anticipated becuase we budgeted as per the lease agreements.

9. Repairs and maintance spent as anticipated as there was nothing major to be repaired and the budget was revised down to other areas Depreciation was under budgeted in the current financial year.

10. Contracted services internal also spent as anticipated

11. On contracted Services the underspending is due to funders not honouring their commitments.

12. General Expenses less than anticipated but at least on acceptable rate of underspending.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for local government are prepared on the accrual basis using a classification based on the nature of the expense in the statement of financial performance. The financial statements differ from the budget,as the budget reflects on projections whilst annual financial statements reflect the actual expenditure of the municipality.

Changes from the approved budget to the final budget

The changes between the final and adjusted budget are a consequence of changes in the municipal performance and additional funding receipts from state institutions. For details on these changes please refer to the annual report.

52. Trade and other payables from non-exchange transactions

Tax refunds payables	2 877 922	144 790	-	-

53. VAT payable

VAT payables	-	50 384 168	-	48 156 556

54. Deferred Tax

Property, plant and equipment	17 723	3 282	-	-

55. Tax paid

Current tax for the year recognised in surplus or deficit	(2 895 645)	(148 072)	-	-

Taxation reconciliation				
Accounting profit	10 302 995	528 839	-	-

Heading				
Tax @ 28%	2 884 839	148 072	-	-
Tax effect of non deductible/non taxable items : Sars penalties and interest	10 806	-	-	-
	2 895 645	**148 072**	**-**	**-**

56. Director's emoluments

Non-executive

2017

	Directors fees	Committees fees	Total
Mr M Sigabi	83 000	-	83 000
Mr S Dzengwa	70 000	-	70 000
Mr M Manjezi	183 500	-	183 500
Ms N Ntsubane	119 000	-	119 000
Ms N Skeyi	90 000	-	90 000
Mr S Ngqwala	57 000	-	57 000
Mr R Ramabulana	49 000	-	49 000
Ms V Matsiliza	47 000	-	47 000
Mr W Plaatjies	-	10 000	10 000
Mr L Galada	-	52 000	52 000
Mr A Langa	-	10 000	10 000
Mr J Mbawuli	-	85 000	85 000
Mr G Rasmeni	-	9 000	9 000
	698 500	**166 000**	**864 500**

2016

	Directors fees	Committees fees	Total
Mr M Sigabi	89 000	-	89 000
Mr S Dzengwa	62 000	-	62 000
Mr M Manjezi	134 000	-	134 000
Ms N Ntsubane	97 500	-	97 500
Ms N Skeyi	88 500	-	88 500
Mr S Ngqwala	60 000	-	60 000
Mr R Ramabulana	25 000	-	25 000
Ms V Matsiliza	5 000	-	5 000
Ms Hobongwana	-	4 000	4 000
Mr L Galada	-	53 000	53 000
Ms V Hleliso	-	49 000	49 000
Mr J Mbawuli	-	42 500	42 500
Mr G Rasmeni	-	22 000	22 000
	561 000	**170 500**	**731 500**