uMGUNGUNDLOVU

UMASIPALA WESIFUNDA

DISTRICT MUNICIPALITY

DISTRIK MUNISIPALITEIT

UMGUNGUNDLOVU DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2017

General Information

Executive Committee	
Mayor	TE Maphumulo (ANC)
Deputy Mayor	TR Zungu (ANC)
	MS Bond (DA)
	GM Ngube (ANC)
	DS Mkhize (ANC)
	B A Mchunu (ANC)
	BC Nhlabathi (DA)
	BE Zuma (IFP)
Other councillors	
	MK Dlamini (ANC)
	N V Duze (ANC)
	AS Dlamini (ANC)
	SW Dlamini (ANC)
	SC Gwala (ANC)
	TA Hlatshwayo (DA)
	JE Holmes (DA)
	R Jugmohan (DA)
	B Khumalo (ANC)
	SJ Luthuli (ANC)
	NC Mabhida (ANC)
	LL Madlala (ANC)
	BK Mkhize (IFP)
	K Mkhize (ANC)
	M Mkhize (ANC)
	MJ Mkhize (ANC)
	S Mkhize (ANC)
	DC Mtshali (IFP)
	SD Mhlongo (ANC)
	NZ Ndlovu (ANC)
	KCS Nene (ANC)
	MD Njokwe (ANC)
	LC Ngcobo (ANC)
	GH Ngcobo (ANC)
	B Ngcongo (ANC)
	SD Nkuna (ANC)
	MV Ntshangase (ANC)
	RB Strachan (DA)
	BC Sokhela (IFP)
	R Soobiah (ANC)
	E Xaba (DA)
	HM Zondi (ANC)
	N Zondo (ANC)
Grading of local authority	Grade 5
WHIP	DA Ndlela (ANC)
SPEAKER	ME Dladla (ANC)

General Information

MANAGEMENT	Municipal Manager- TLS Khuzwayo (ended 30 June 2017) Executive Manager - Financial Services - SD Ncube-Dlamini Executive Manager - Corporate Services - GH Bhengu (Appointed from 1 May 2017) Executive Manager - Technical Services - EB Mbambo Executive Manager - Community Services - RM Baloyi
Registered office	242 Langalibalele Street Pietermartizburg 3201
Postal address	P O Box 3235 Pietermaritzburg 3200
Bankers	First National Bank
Auditors	The Auditor General South Africa Registered Auditors
Website	www.umdm.gov.za
Other Information	Telephone: 033 897 6700 Fax : 033 342 5502

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

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by Auditor General and this report is presented to the speaker of the council upon completion of the audit.

The annual financial statements set out on page 14-59, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Accounting Officer
SD Ncube-Dlamini (Acting Accounting Officer)

Accounting Officer's Report

1. **Ratio Analysis**
   - **Liquidity Ratio** - 2.38:1 (2.04:1)
     The Municipality has enough short term assets to finance short term liabilities.
   - **Solvency Ratio** - 4.26:1 (4.17:1).
     Assets are over 5 times the liabilities , the Municipality will be able to meet all its short and long term obligations.
   - **Cash Ratio** - 0.48:1 (0.65:1).
     There is sufficient cash to pay short term liabilities.

2. **Going concern**

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of R 1 286 784 782 and that the municipality's total assets exceeded its liabilities by R 1 310 849 259.

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

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

3. **Establishment of the development agency**

The district has established a development agency which is wholly onwed by the district. The entity was incorporated on 6 June 2017 and has a mandate to implement high capacity local economic development projects. The agency will effectively transact in the 2017/2018 financial year.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	2 472 384	1 675 716
Receivables from exchange transactions	3	217 404 459	269 881 479
VAT receivable	6	-	15 288 118
Consumer debtors	4	144 287 661	92 640 719
Cash and cash equivalents	5	94 043 319	178 511 262
		458 207 823	**557 997 294**
Non-Current Assets			
Property, plant and equipment	7	1 254 580 212	1 117 175 195
Intangible assets	8	767 391	677 910
		1 255 347 603	**1 117 853 105**
Non-Current Assets		1 255 347 603	1 117 853 105
Current Assets		458 207 823	557 997 294
Total Assets		**1 713 555 426**	**1 675 850 399**
Liabilities			
Current Liabilities			
Other financial liabilities	9	8 634 097	55 801 644
Payables from exchange transactions	10	121 629 657	165 458 639
VAT payable	14	7 254 496	-
Consumer deposits	15	5 907 544	5 588 628
Unspent conditional grants and receipts	11	16 770 548	17 028 096
Provisions	12	31 809 986	29 207 040
		192 006 328	**273 084 047**
Non-Current Liabilities			
Other financial liabilities	9	210 699 839	128 853 780
Non-Current Liabilities		210 699 839	128 853 780
Current Liabilities		192 006 328	273 084 047
Total Liabilities		**402 706 167**	**401 937 827**
Assets		1 713 555 426	1 675 850 399
Liabilities		(402 706 167)	(401 937 827)
Net Assets		**1 310 849 259**	**1 273 912 572**
Reserves			
Revaluation reserve	16	24 064 477	24 064 477
Accumulated surplus		1 286 784 782	1 245 622 385
Total Net Assets		**1 310 849 259**	**1 269 686 862**

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Statement of Financial Performance for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	124 228 853	125 457 447
Interest received from customers late payments		23 308 202	18 152 505
Rental income		205 215	201 960
Other income	18	11 040 889	4 025 847
Interest received	29	15 432 321	17 019 400
Total revenue from exchange transactions		**174 215 480**	**164 857 159**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	28	608 077 666	716 833 705
		174 215 480	164 857 159
		608 077 666	716 833 705
Total revenue	19	**782 293 146**	**881 690 864**
Expenditure			
Employee costs	20	(198 158 827)	(181 327 612)
Remuneration of councillors	21	(10 239 416)	(10 937 383)
Administration		(7 087 471)	(9 002 250)
Depreciation and amortisation	22	(61 521 906)	(55 713 431)
Finance costs	23	(19 737 550)	(10 252 994)
Debt impairment	24	(61 029 639)	(50 253 471)
Repairs and maintenance		(4 725 400)	(1 592 826)
Bulk purchases	25	(121 186 282)	(105 044 656)
Contracted services	26	(142 306 896)	(156 871 341)
General expenses	27	(102 679 530)	(93 441 773)
Total expenditure		**(728 672 917)**	**(674 437 737)**
		-	-
Total revenue		782 293 146	881 690 864
Total expenditure		(728 672 917)	(674 437 737)
Operating surplus		**53 620 229**	**207 253 127**
Loss on disposal of assets		(16 683 542)	(59 691)
Operating surplus/deficit		(16 683 542)	(59 691)
Surplus before taxation		36 936 687	207 193 436
Taxation		-	-
Surplus for the year		**36 936 687**	**207 193 436**

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

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	**24 064 477**	**1 042 652 274**	**1 066 716 751**
Changes in net assets			
Surplus for the year	-	202 970 111	202 970 111
Total changes	-	202 970 111	202 970 111
Opening balance as previously reported	24 064 477	1 245 622 386	1 269 686 863
Adjustments			
Correction of errors	-	4 225 709	4 225 709
Restated* Balance at 01 July 2016 as restated*	**24 064 477**	**1 249 848 095**	**1 273 912 572**
Changes in net assets			
Surplus for the year	-	36 936 687	36 936 687
Total changes	-	36 936 687	36 936 687
Balance at 30 June 2017	**24 064 477**	**1 286 784 782**	**1 310 849 259**

Cash Flow Statement for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers and other		91 197 685	67 002 561
Grants		626 640 041	678 573 480
Interest income		16 239 316	17 019 400
		734 077 042	762 595 441
Payments			
Employee costs		(208 398 243)	(189 738 493)
Suppliers		(113 615 892)	(78 324 301)
Finance costs		(22 862 781)	(10 252 994)
Other contractual obligations		(273 393 636)	(253 760 373)
		(618 270 552)	(532 076 161)
Total receipts		734 077 042	762 595 441
Total payments		(618 270 552)	(532 076 161)
Net cash flows from operating activities	30	**115 806 490**	**230 519 280**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(299 133 435)	(426 663 752)
Proceeds from sale of property, plant and equipment	7	-	(1)
Purchase of intangible assets	8	(1 717 849)	(1 436 907)
Other movements in property plant and equipment		85 151 338	137 621 940
Net cash flows from investing activities		**(215 699 946)**	**(290 478 720)**
Cash flows from financing activities			
Proceeds from long - term portion of long term liabilities		99 683 000	180 778 000
Repayment of long - term portion of long term liabilities		(61 714 873)	(81 614 070)
Movement in VAT payable		(22 542 614)	(23 186 881)
Net cash flows from financing activities		**15 425 513**	**75 977 049**
Net increase/(decrease) in cash and cash equivalents		**(84 467 943)**	**16 017 609**
Cash and cash equivalents at the beginning of the year		178 511 262	162 493 654
Cash and cash equivalents at the end of the year	5	**94 043 319**	**178 511 263**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	159 651 000	(37 189 000)	**122 462 000**	124 228 853	**1 766 853**	
Interest received investments	7 080 000	3 920 000	**11 000 000**	15 432 321	**4 432 321**	Note 42 (A)
Other income - (rollup)	42 872 000	12 425 000	**55 297 000**	34 554 306	**(20 742 694)**	Note 42 (B)
Total revenue from exchange transactions	**209 603 000**	**(20 844 000)**	**188 759 000**	**174 215 480**	**(14 543 520)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	584 355 000	29 556 000	**613 911 000**	608 077 666	**(5 833 334)**	
'Total revenue from exchange transactions'	209 603 000	(20 844 000)	**188 759 000**	174 215 480	**(14 543 520)**	
'Total revenue from non-exchange transactions'	584 355 000	29 556 000	**613 911 000**	608 077 666	**(5 833 334)**	
Total revenue	**793 958 000**	**8 712 000**	**802 670 000**	**782 293 146**	**(20 376 854)**	
Expenditure						
Personnel	(191 692 000)	(2 207 000)	**(193 899 000)**	(198 158 827)	**(4 259 827)**	
Remuneration of councillors	(13 189 000)	2 433 000	**(10 756 000)**	(10 239 416)	**516 584**	
Depreciation and asset Impairment	(31 800 000)	(28 800 000)	**(60 600 000)**	(61 521 906)	**(921 906)**	
Finance costs	(14 081 000)	(5 519 000)	**(19 600 000)**	(19 737 550)	**(137 550)**	
Bulk purchases	(102 828 000)	(19 859 000)	**(122 687 000)**	(121 186 282)	**1 500 718**	
Contracted Services	(122 915 000)	(35 647 000)	**(158 562 000)**	(142 306 896)	**16 255 104**	
Other Expenses	(135 740 000)	(81 255 000)	**(216 995 000)**	(175 522 040)	**41 472 960**	42 (C)
Total expenditure	**(612 245 000)**	**(170 854 000)**	**(783 099 000)**	**(728 672 917)**	**54 426 083**	
	181 713 000	(162 142 000)	**19 571 000**	53 620 229	**34 049 229**	
	-	-	**-**	-	**-**	
Surplus before taxation	**181 713 000**	**(162 142 000)**	**19 571 000**	**53 620 229**	**34 049 229**	
Deficit before taxation	181 713 000	(162 142 000)	**19 571 000**	53 620 229	**34 049 229**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**181 713 000**	**(162 142 000)**	**19 571 000**	**53 620 229**	**34 049 229**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Service charges	159 650 000	(37 189 000)	122 461 000	-		122 461 000	124 228 853		1 767 853	101 %	78 %
Investment revenue	7 080 000	3 920 000	11 000 000	-		11 000 000	15 432 321		4 432 321	140 %	218 %
Transfers recognised	584 355 000	29 557 000	613 912 000	-		613 912 000	608 077 666		(5 834 334)	99 %	104 %
Other own revenue	42 872 000	12 425 000	55 297 000	-		55 297 000	34 554 306		(20 742 694)	62 %	81 %
Total revenue	**793 957 000**	**8 713 000**	**802 670 000**	**-**		**802 670 000**	**782 293 146**		**(20 376 854)**	**97 %**	**99 %**
Employee costs	(191 692 000)	(2 207 000)	(193 899 000)	-	-	(193 899 000)	(198 158 827)	-	(4 259 827)	102 %	103 %
Remuneration of councillors	(13 189 000)	2 433 000	(10 756 000)	-	-	(10 756 000)	(10 239 416)	-	516 584	95 %	78 %
Depreciation and asset impairment	(31 800 000)	(28 800 000)	(60 600 000)			(60 600 000)	(61 521 906)	-	(921 906)	102 %	193 %
Finance charges	(14 081 000)	(5 519 000)	(19 600 000)	-	-	(19 600 000)	(19 737 550)	-	(137 550)	101 %	140 %
Materials and bulk purchases	(102 828 000)	(19 859 000)	(122 687 000)	-	-	(122 687 000)	(121 186 282)	-	1 500 718	99 %	118 %
Other expenditure	(258 655 000)	(116 902 000)	(375 557 000)	-	-	(375 557 000)	(317 828 936)	-	57 728 064	85 %	123 %
Total expenditure	**(612 245 000)**	**(170 854 000)**	**(783 099 000)**	**-**	**-**	**(783 099 000)**	**(728 672 917)**	**-**	**54 426 083**	**93 %**	**119 %**
Total revenue	793 957 000	8 713 000	802 670 000	-	-	802 670 000	782 293 146	-	(20 376 854)	97 %	99 %
Total expenditure	(612 245 000)	(170 854 000)	(783 099 000)	-	-	(783 099 000)	(728 672 917)	-	54 426 083	93 %	119 %
Surplus/(Deficit)	**181 712 000**	**(162 141 000)**	**19 571 000**	**-**		**19 571 000**	**53 620 229**		**34 049 229**	**274 %**	**30 %**
Surplus/(Deficit)	181 712 000	(162 141 000)	19 571 000	-	-	19 571 000	53 620 229	-	34 049 229	274 %	30 %
Surplus (Deficit) after capital transfers and contributions	181 712 000	(162 141 000)	19 571 000	-	-	19 571 000	53 620 229	-	34 049 229	274 %	30 %
Surplus/(Deficit) for the year	**181 712 000**	**(162 141 000)**	**19 571 000**	**-**		**19 571 000**	**53 620 229**		**34 049 229**	**274 %**	**30 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

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

1.1 Presentation currency

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	Fair Value (30 years)
Plant and machinery	Straight line	10 to 20 years
Furniture and fixtures	Straight line	10 to 15 years
Motor vehicles	Straight line	10 to 15 years
IT equipment	Straight line	10 to 15 years
Computer software	Straight line	5 to 15 years
Infrastructure Water	Straight line	10 to 100 years

Accounting Policies

1.2 Property, plant and equipment (continued)

Infrastructure Sewerage	Straight line	10 to 100 years
Fire Engines	Straight line	15 to 20 years
Mobile Offices	Straight line	15 to 20 years
Heavy machinery	Straight line	15 to 20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

The municipality 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.

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.

Accounting Policies

1.3 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Websites	Straight line	3- 5 years
Licenses	Straight line	3-5 years
Computer software, other	Straight line	3-5 years

1.4 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.

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.

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

A financial asset is:
- cash;
- 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 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.

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.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- 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
Trade and other Receivables	at amortised cost
Consumer Debtors	at amortised cost
Bank and Cash	at amortised cost

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
Trade and other payables	at amortised cost

1.4 Financial instruments (continued)

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The minicipality measures a financial asset and financial liability initially at its fair value.

Subsequent measurement of financial assets and financial liabilities

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The municipality 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.

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.

Trade receivables

Trade receivables are measured at fair value.

Trade payables

Trade payables are measured at fair value.

Cash and cash equivalents

1.4 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured amortised cost.

1.5 Leases

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

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

Operating leases – 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. This liability is not discounted.

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

1.6 Inventories

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

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

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

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

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

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

The cost of water municipality is assigned using the weighted average cost formula. The same cost formula is used for all municipality having a similar nature and use to the municipality.

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

1.7 Impairment of cash-generating assets

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

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.

1.7 Impairment of cash-generating assets (continued)

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 municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also 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.

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 municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

1.8 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.

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

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 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 municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.9 Share capital / contributed capital

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

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

Accounting Policies

1.10 Employee benefits (continued)

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.11 Provisions and contingencies

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.commitments represents goods/services that have been ordered at the reporting date.Approved and contracted comitments represent expenditure that has been approved and contact awarded at the reporting date. Approved but not yet contracted

Accounting Policies

1.12 Commitments (continued)

Approved and not yet contracted repesent expenditure that has been approved and the contract is yet to be awarded or is awaiting finanlisation at the reporting date

Disclosures are required in respect of unrecognised contractual commitments.

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

1.13 Revenue from exchange transactions

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

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When 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.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, 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.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1.14 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 municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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 municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Measurement

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

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

Transfers

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

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

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

1.15 Revenue

Revenue comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income

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

1.17 Borrowing costs

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

1.18 Comparative figures

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

When the presentation or classification of items in the annual financial statements is ammended, prior period comparative amounts are reclassified.

1.19 Unauthorised expenditure

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

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

1.20 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.

1.21 Irregular expenditure

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.

Accounting Policies

1.21 Irregular expenditure (continued)

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

1.22 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice 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 annual financial statements are disclosed in the relevant sections of the annual 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.

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised when municipal valuation is more than carrying amount of the buildings.On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Budget information

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

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

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

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

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

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

1.26 Related parties

The municipality 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 municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

1.27 General Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Inventories

Consumable stores	2 191 697	1 425 749
Water	280 687	249 967
	2 472 384	**1 675 716**
Inventories recognised as an expense during the year	4 300 132	2 415 227

Inventory is measured at the lower of cost and net realisable value. Inventory recognised as an expense excludes material purchased for direct use.

3. Receivables from exchange transactions

Deposits	1 106 371	1 093 641
Agency Agreements	1 749 992	1 764 977
Other debtors	9 046 395	42 835 436
Prepaid expenses	955 201	426 221
Interest Accrued	778 555	1 585 550
WSIG	18 130 636	-
MIG	183 451 370	220 401 928
Clearing account	2 185 939	1 773 726
	217 404 459	**269 881 479**

4. Consumer receivables

Gross balances		
Water	402 433 326	327 033 066
Less: Allowance for impairment		
Water	(258 145 665)	(234 392 347)
Net balance		
Water	144 287 661	92 640 719
Water		
Current (0 -30 days)	11 656 859	12 969 557
31 - 60 days	11 387 820	9 201 903
61 - 90 days	8 779 899	7 694 544
91 - 120 days	7 118 834	7 343 725
120 - 180 days	19 094 910	5 666 417
> 180 days	344 395 004	284 156 920
Less: Allowance for impairment	(258 145 665)	(234 392 347)
	144 287 661	**92 640 719**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(234 392 347)	(186 201 143)
Contributions to allowance	(61 029 638)	(50 253 480)
Debt impairment written off against allowance	37 276 320	2 062 276
	(258 145 665)	**(234 392 347)**

The provision for bad debts has been calculated based on a geographical risk profile. All government customers have been excluded from bad debts provision

Summary of debtors by customer classification

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Consumer receivables (continued)

Households		
Current (0-30 days)	9 678 564	10 996 773
31-60 days	8 989 027	7 798 313
61-90 days	7 794 568	7 056 612
91-120 days	6 391 725	6 828 609
121-180 days	17 278 943	5 415 825
>180 days	327 577 431	270 150 670
Less: Allowance for impairement	(258 145 665)	(234 392 347)
	119 564 593	**73 854 455**

Industrial/Commercial		
Current (0-30 days)	1 126 337	1 091 748
31-60 days	1 546 881	573 438
61-90 days	597 500	296 250
91-120 days	430 544	334 206
121-180 days	1 113 495	278 801
>180 days	11 729 960	10 378 280
	16 544 717	**12 952 723**

Government		
current (0-30 days)	851 956	881 036
31-60 days	851 912	830 152
61-90 days	387 831	341 681
91-120 days	296 566	180 912
121-180 days	702 472	231 545
>180 days	5 087 615	3 368 215
	8 178 352	**5 833 541**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	10 607	9 153
Bank balances	30 282 712	49 752 109
Short-term deposits	60 000 000	120 000 000
Investments	3 750 000	8 750 000
	94 043 319	**178 511 262**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK -Salaries Account - 50940092196	1 649	50	1 646	1 680	82	1 677
FNB BANK -Projects Account - 62023616462	880 819	6 617 461	229 399	880 818	6 617 461	229 399
FNB BANK - Money Market Account - 62215748289	3 282 148	797 943	25 286 211	3 282 148	797 943	25 286 211
FNB BANK - Mandela Race Account - 62411577193	104 215	86 972	690 687	104 215	86 972	690 687
FNB BANK - Main Account - 50940026773	22 323 958	42 174 165	7 698 093	22 305 749	42 174 165	7 459 857
FNB BANK - UMDM MIG Account - 62400041985	79 553	75 486	72 027	79 553	75 486	72 027
ABSA BANK - Fixed Deposit - 2072673843	-	30 000 000	30 000 000	-	30 000 000	30 000 000
NEDBANK - 3 Months deposit - 03/7165014047/00023	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000
INVESTEC BANK-Fixed Deposit-455213	-	30 000 000	30 000 000	-	30 000 000	30 000 000
FNB BANK-Fixed Deposit-71101199555	3 750 000	3 750 000	3 750 000	3 750 000	3 750 000	3 750 000
STANDARD BANK-Fixed Deposit-358610095-004	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000
Ithala Bank -63647675	-	5 000 000	5 000 000	-	5 000 000	5 000 000
FIRST NATIONAL BANK-SANBI ACCOUNT	3 628 548	-	-	3 628 548	-	-
Total	**94 050 890**	**178 502 077**	**162 728 063**	**94 032 711**	**178 502 109**	**162 489 858**

The FNB Investment to the value of R3 750 000 is held as security for the long term loans held with DBSA. Refer to note 5 or 9 (as applicable)

6. VAT receivable

	2017	2016
VAT	-	15 288 118

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 905 000	-	1 905 000	1 905 000	-	1 905 000
Buildings	30 229 377	(2 979 368)	27 250 009	30 229 377	(1 970 109)	28 259 268
Plant and machinery	6 853 036	(3 252 967)	3 600 069	6 180 866	(3 024 262)	3 156 604
Furniture and fixtures	5 033 307	(2 899 342)	2 133 965	4 758 673	(2 638 396)	2 120 277
Motor vehicles	520 201	(499 276)	20 925	520 201	(471 376)	48 825
IT equipment	6 738 924	(4 154 242)	2 584 682	5 647 124	(3 843 517)	1 803 607
Infrastructure	1 963 630 957	(1 373 077 449)	590 553 508	1 891 137 979	(1 322 358 970)	568 779 009
Heavy machinery	15 865 084	(1 893 046)	13 972 038	6 191 068	(1 518 082)	4 672 986
Mobile offices	452 500	(150 453)	302 047	452 500	(125 594)	326 906
Infrastructure-Work in Progress	612 257 969	-	612 257 969	506 102 713	-	506 102 713
Total	**2 643 486 355**	**(1 388 906 143)**	**1 254 580 212**	**2 453 125 501**	**(1 335 950 306)**	**1 117 175 195**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 905 000	-	-	-	-	1 905 000
Buildings	28 259 268	-	-	-	(1 009 259)	27 250 009
Plant and machinery	3 156 604	672 174	-	-	(228 709)	3 600 069
Furniture and fixtures	2 120 277	274 634	-	-	(260 946)	2 133 965
Motor vehicles	48 825	-	-	-	(27 900)	20 925
IT equipment	1 803 607	1 091 800	-	-	(310 725)	2 584 682
Infrastructure	568 779 009	96 114 219	(16 683 541)	-	(57 656 179)	590 553 508
Heavy machinery	4 672 986	9 674 014	-	-	(374 962)	13 972 038
Mobile offices	326 906	-	-	-	(24 859)	302 047
Infrastructure-Work in Progress	506 102 713	191 306 594	-	(85 151 338)	-	612 257 969
	1 117 175 195	**299 133 435**	**(16 683 541)**	**(85 151 338)**	**(59 893 539)**	**1 254 580 212**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 905 000	-	-	-	-	1 905 000
Buildings	29 133 561	99 125	-	-	(973 418)	28 259 268
Plant and machinery	3 343 122	-	-	-	(186 518)	3 156 604
Furniture and fixtures	1 661 019	673 869	(23 614)	-	(190 997)	2 120 277
Motor vehicles	66 579	-	-	-	(17 754)	48 825
IT equipment	1 652 107	441 482	(36 076)	-	(253 906)	1 803 607
Infrastructure	467 787 684	153 468 890	-	-	(52 477 565)	568 779 009
Heavy machinery	5 011 798	-	-	-	(338 812)	4 672 986
Mobile offices	349 979	-	-	-	(23 073)	326 906
Infrastructure-Work in Progress	371 744 267	271 980 386	-	(137 621 940)	-	506 102 713
	882 655 116	**426 663 752**	**(59 690)**	**(137 621 940)**	**(54 462 043)**	**1 117 175 195**

Revaluations

The revaluation of the buildings was performed by the Msunduzi Municipality (independent valuers) in respect of the Municipal Rates Act of 2004. The effective date of the revaluation was 01 July 2015

The revaluation of Infrustructure assets was perfomed by Sibusiso Mjwara in his capacity as a Professional Engineering Technologist on behalf of the Municipality. The effective date of this revaluation is 30 April 2016.

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

8. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and other	5 509 367	(4 741 976)	767 391	3 791 518	(3 113 608)	677 910

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software and other	677 910	1 717 849	(1 628 368)	767 391

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software and other	492 390	1 436 907	(1 251 387)	677 910

9. Other financial liabilities

	2017	2016
At amortised cost		
DBSA Loan	219 333 936	184 655 424

The Loans from Development Bank Southern Africa are subject to interest at an average rate of 10% and are repayable over an average period of 20 years

A FNB Investment to the value of R3 750 000 is held as security for the long term loans held with DBSA. Refer to note 5 or 9 (as applicable)

	2017	2016
Non-current liabilities		
At amortised cost	210 699 839	128 853 780
Current liabilities		
At amortised cost	8 634 097	55 801 644

10. Payables from exchange transactions

	2017	2016
Trade payables	85 352 017	124 644 582
Retention	15 716 584	16 455 800
Other payables	3 282 621	2 555 677
Accrued leave pay	11 921 249	10 658 382
Accrued bonus	4 480 677	4 120 339
Other accrued expenses	876 509	7 023 859
	121 629 657	**165 458 639**

Trade Payable Ageing		
0-30 days	56 779 977	105 303 867
31-60 days	23 561 968	10 761 054
61-90 days	1 076 795	1 360 081
91-180 days	858 832	4 380 019

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Payables from exchange transactions (continued)

	2017	2016
	82 277 572	**121 805 021**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Camperdown Waste Water works	4 000 095	4 000 095
Disaster Management Grant	-	1 249 528
PTP Grant	308 817	308 817
Massification Grant	-	1 650 712
Department of water and sanitation Grant	-	3 464 411
SETA Grant	910 776	-
ORIO Grant	11 550 860	6 354 533
	16 770 548	**17 028 096**

Movement during the year

Balance at the beginning of the year	17 028 096	55 288 322
Additions during the year	199 528 041	120 273 912
Income recognition during the year	(198 536 062)	(153 890 301)
Recalled grants	(1 249 527)	(4 643 837)
	16 770 548	**17 028 096**

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

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

12. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Post employee benefits	19 339 372	2 194 826	21 534 198
Long service awards	9 867 668	408 120	10 275 788
	29 207 040	**2 602 946**	**31 809 986**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Reversed during the year	Total
Post employee benefits	16 668 544	2 670 828	-	19 339 372
Long service award	10 277 432	-	(409 764)	9 867 668
	26 945 976	**2 670 828**	**(409 764)**	**29 207 040**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pension benefits

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, i3 Actuaries and Consultants, carry out a statutory valuation on an annual basis.

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

	2017	2016
Post employment medical aid subsidy		
Opening balance	18 631 000	15 976 000
Net expense recognised in the statement of financial performance	2 170 000	2 655 000
	20 801 000	**18 631 000**

	2017	2016
Ex-gratia Pension Benefits Liability		
Opening balance	708 372	692 544
Net Expense	24 826	15 828
	733 198	**708 372**

Net expense recognised in the statement of financial performance

	2017	2016
Post employment medical aid subsidy		
Current service cost	688 000	742 000
Interest cost	1 645 000	1 355 000
Actuarial (gains) losses	348 000	1 034 000
Expected return on reimbursement rights	(511 000)	(476 000)
	2 170 000	**2 655 000**

	2017	2016
Ex-gratia Pension Benefits Liability		
Interest cost	57 166	51 896
Benefit paid	(92 557)	(88 999)
Actuarial loss/ (gain)	60 218	52 930
	24 827	**15 827**

Figures in Rand	2017	2016

13. Employee benefit obligations (continued)

Changes in the fair value of plan assets are as follows:

Post employment medical aid subsidy		
Opening balance	18 631 000	15 976 000
Assets distributed on settlements	348 000	1 034 000
Contributions by employer	688 000	742 000
Contributions by plan participants	1 645 000	1 355 000
Benefits paid	(511 000)	(476 000)
	20 801 000	**18 631 000**

Ex-gratia Pension Benefits Liability		
Opening balance	708 372	692 544
Actuarial gains /(losses)	60 218	52 930
interest cost	57 166	51 896
Benefit paid	(92 557)	(88 999)
	733 199	**708 371**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,67 %	8,83 %
Expected rate of return on assets	7,80 %	7,80 %
Expected rate of return on reimbursement rights	0,82 %	0,82 %
Actual return on reimbursement rights	63,00 %	63,00 %
Medical cost trend rates	90,00 %	90,00 %
Expected increase in salaries	90,00 %	90,00 %
Proportion of employees opting for early retirement	0,71 %	0,71 %

No explicit assumption was made about additional mortality or health care costs due to AIDS

Percentage of inservice members withdrawing before retirement	Females	Males
Age 20 - 29	24%	16%
Age 30 - 39	15%	10%
Age 40 - 49	6%	6%
Age 50 - 54	4%	2%
Age 55+	0%	0%

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Sensitivity analysis

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Employee benefit obligations (continued)

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the level of mortality and medical aid inflation

Sensitivity results

The liability at the Valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed rate of health care cost inflation:

(iv) A 20% increase and decrease in the assumed rates of post retirement mortality": and

Long service award and retirement gifts

The independent valuers, I3 Actuaries and Consultants, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Employee benefit obligations (continued)

Discount rate per annum	8.64%	8.36%
General salary inflation	6.47%	6.98%
Net effective discount rate	2.04%	1.29%
Average retirement age	63 years	63 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services	Females	Males
Age 20 - 29	24%	16%
Age 30 -39	15%	10%
Age 40 - 49	6%	6%
Age 50 - 54	2%	2%
	-	-

Movement in defined benefit obligation		
Balance at beginning of the year	9 867 668	10 277 432
Current service costs	876 920	959 589
Interest costs	824 937	767 520
Actuarial losses/ (gain)	(538 254)	(599 848)
Benefit payment	(755 483)	(1 546 175)
New employees	-	9 150
	10 275 788	**9 867 668**

The amounts recognised in the Statement of Financial Perfomance were as follows:		
Current service costs	876 920	959 589
Interest cost	824 937	767 520
Actuarial gain/(loss)	(538 254)	(599 848)
Benefit payment	(755 483)	(1 546 175)
New employees	-	9 150
	408 120	**(409 764)**

In Conclusion: Statement of financial position obligated for:		
Post employment medical benefit	20 801 000	18 631 000
Post employment pension benefit	733 198	708 372
Long service award	10 275 788	9 867 668
	31 809 986	**29 207 040**

Statement of Financial Performance obligation for:		
Post employment medical benefit	2 170 000	2 655 175
Post employment pension benefit	24 826	15 828
Long service award	408 120	(409 764)
	2 602 946	**2 261 239**

14. VAT payable

Vat payables	7 254 496	-

Vat output is paid to SARS once payment has been received from third parties.

15. Consumer deposits

Water	5 907 544	5 588 628

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

16. Revaluation reserve

The revaluation reserve arose due to the Land and Buildings recorded at market values. The valuation was performed by a professional valuer by Local Municipalities where valued properties are situated. The municipality used valuation roll values to revalue its land and buildings. The valuation roll was implemented on 01 July 2009.

Opening balance	24 064 477	24 064 477

17. Service charges

Service charges	323 038	805 863
Sale of water	111 576 882	112 952 408
Sewerage and sanitation charges	12 328 933	11 699 176
	124 228 853	**125 457 447**

18. Other income

Project income	1 696 654	780 039
Sundry income	9 344 235	3 245 808
	11 040 889	**4 025 847**

19. Revenue

Service charges	124 228 853	125 457 447
Interest received- late payments	23 308 202	18 152 505
Rental income	205 215	201 960
Other income	11 040 889	4 025 847
Interest received - investment	15 432 321	17 019 400
Government grants & subsidies	608 077 666	716 833 705
	782 293 146	**881 690 864**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	124 228 853	125 457 447
Interest received	23 308 202	18 152 505
Rental income	205 215	201 960
Other income	11 040 889	4 025 847
Interest received - investment	15 432 321	17 019 400
	174 215 480	**164 857 159**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	608 077 666	716 833 705

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Employee related costs

Basic	108 330 550	102 453 394
Medical aid - company contributions	11 848 955	11 144 114
UIF	752 383	724 385
WCA	1 593 739	1 253 945
SDL	1 581 432	1 494 216
Other payroll levies	38 373	36 156
Leave pay provision charge	1 860 129	(644 699)
Group Life Insurance	2 749 713	2 758 335
Defined contribution plans	23 471 018	22 755 415
Travel, motor car, accommodation, subsistence and other allowances	17 860 370	16 276 960
Overtime payments	9 370 424	8 014 722
Long-service awards	2 932 703	1 099 186
Acting allowances	827 408	290 670
Housing benefits and allowances	1 000 774	963 290
Annual Bonus	8 869 653	8 738 278
Standby Allowance	3 877 783	3 513 594
Telephone Allowance	1 098 846	397 281
Clothing Allowance	94 574	58 370
	198 158 827	**181 327 612**

Remuneration of Municipal Manager

Annual Remuneration	1 351 252	1 259 993
Car Allowance	144 000	144 000
Performance Bonuses	89 454	81 511
Other	18 000	4 500
Leave pay	226 211	-
	1 828 917	**1 490 004**

Remuneration of SEM: Financial Services

Annual Remuneration	1 247 286	1 160 175
Car Allowance	180 000	180 000
Performance Bonuses	77 347	-
Other	30 960	18 000
	1 535 593	**1 358 175**

Remuneration of SEM: Corporate Services

Annual Remuneration	160 296	-
Car Allowance	20 000	-
Other	3 600	-
	183 896	**-**

Ms GH Bhengu has been appointed as SEM Corporate Services with effect from 1 May 2017.

Remuneration of SEM: Technical Services

Annual Remuneration	878 485	789 607
Car Allowance	313 386	270 395
Performance Bonuses	75 243	75 689
Contributions to UIF, Medical and Pension Funds	223 031	221 320
Other	38 151	27 274
	1 528 296	**1 384 285**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Employee related costs (continued)

Remuneration of SEM: Community Services

Annual Remuneration	1 031 768	958 796
Car Allowance	163 850	163 850
Performance Bonuses	58 348	-
Contributions to UIF, Medical and Pension Funds	109 330	102 657
Other	9 300	-
	1 372 596	**1 225 303**

21. Remuneration of councillors

Mayor	932 881	946 380
Deputy Mayor	277 727	296 465
Speaker	841 367	761 997
Other Councillors	7 530 280	8 216 641
Whip	657 161	715 900
	10 239 416	**10 937 383**

The salaries, allowances and benefits paid to councillors in the 2016/2017 financial year were within the upper limits as determined by the National Minister of Co-operative Government And Traditional affairs

In-kind benefits

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

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

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

22. Depreciation and amortisation

Property, plant and equipment	59 893 538	54 462 044
Intangible assets	1 628 368	1 251 387
	61 521 906	**55 713 431**

23. Finance costs

Interest paid	19 737 550	10 252 994

24. Debt impairment

Contributions/ (revesal) to debt impairment provision	61 029 639	50 253 471

25. Bulk purchases

Water	121 186 282	105 044 656

26. Contracted services

Fleet Services	56 188 626	60 325 989
Operating Leases	69 934 401	52 628 395
Other Contractors	16 183 869	43 916 957
	142 306 896	**156 871 341**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. General expenses

Advertising	149 752	692 762
Auditors remuneration	1 913 530	2 312 567
Bank charges	1 070 153	855 592
Conferences and seminars	660 004	536 542
Consulting and professional fees	16 581 997	21 160 717
Consumables	7 002 364	3 468 720
Electricity	5 820 101	6 532 589
Entertainment	4 536 523	3 505 167
Hiring charges	3 503 914	2 985 527
Insurance	597 093	539 860
Levies	1 394 432	1 645 156
Magazines, books and periodicals	216 428	334 152
Medical expenses	147 064	-
Motor vehicle expenses	20 383 835	14 411 990
Postage and courier	840 156	815 761
Printing and stationery	2 052 145	1 488 493
Promotions	2 804 576	8 323 453
Protective clothing	2 050 501	42 863
Research and development costs	219 750	-
Royalties and license fees	506 704	142 350
Security (Guarding of municipal property)	7 615 278	5 024 419
Staff welfare	292 741	541 025
Subscriptions and membership fees	896 232	2 792 081
Telephone and fax	4 306 974	4 569 663
Training	11 919 856	3 493 810
Travel - local	2 920 992	4 730 754
Lease rentals on operating leases	1 778 490	1 430 189
Disaster awareness	497 945	780 893
External bursaries	-	284 678
	102 679 530	**93 441 773**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Government grants and subsidies

Operating grants		
Department of water and sanitation grant	3 464 411	21 344 591
Energy sector	-	150 440
KZN Sport Grant	-	633 776
Equitable share	428 361 527	398 468 847
Expanded public works	2 094 000	2 499 000
FMG	1 250 000	1 250 000
DPSS GIS Grant	-	320 549
Corridor development grant	-	550 000
Intergovernmental Relations	1 163 744	4 223 326
Water purification grant	-	2 244 800
MSIG	-	940 000
Rural roads asset management system	2 384 000	2 329 000
Corridor development bulk sewer line	5 414 301	4 000 000
Disaster management grant	-	3 500 473
SETA Grant	11 249 893	3 424 183
Shared development grant	-	20 000
IRO municipal excellence grant	-	262 678
	455 381 876	446 161 663
Capital grants		
Massification	11 650 712	4 692 478
MIG	72 679 442	161 050 373
Municipal water infrustructure grant	68 365 636	104 929 191
	152 695 790	270 672 042
	608 077 666	**716 833 705**

Conditional and Unconditional

Included in above are the following grants and subsidies realised as income:

Conditional grants received	179 716 139	318 364 859
Unconditional grants received	428 361 527	398 468 847
	608 077 666	**716 833 706**

Water Purification Grant

Balance unspent at beginning of year	-	2 244 800
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(2 244 800)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Municipal Excellence Awards Grant

Balance unspent at beginning of year	-	262 678
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(262 678)
	-	**-**

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Government grants and subsidies (continued)

FMG

Balance unspent at beginning of year	-	-
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Disaster Management Grant

Balance unspent at beginning of year	1 249 528	4 750 000
Conditions met - transferred to revenue	-	(3 500 472)
Other- Roll over not approved	(1 249 528)	-
	-	**1 249 528**

Conditions still to be met - remain liabilities (see note 11)

DPSS GIS Grant

Balance unspent at beginning of year	-	320 549
Conditions met - transferred to revenue	-	(320 549)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Corridor Development Grant

Balance unspent at beginning of year	-	550 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(550 000)
	-	-

Conditions still to be met - remain liabilities (see note 11)

KZN Sports

Balance unspent at beginning of year	-	633 776
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(633 776)
	-	-

Conditions still to be met - remain liabilities (see note 11)

MSIG

Balance unspent at beginning of year	-	-
Current-year receipts	-	940 000
Conditions met - transferred to revenue	-	(940 000)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Government grants and subsidies (continued)

Shared Deployment Grant

Balance unspent at beginning of year	-	20 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(20 000)
	-	-

Conditions still to be met - remain liabilities (see note 11)

EPWP Grant

Balance unspent at beginning of year	-	3 879 108
Current-year receipts	2 094 000	2 499 000
Conditions met - transferred to revenue	(2 094 000)	(2 499 000)
Roll over not approved/ Grants recalled	-	(3 879 108)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Rural Roads Assets Management Systems Grant

Balance unspent at beginning of year	-	764 730
Current-year receipts	2 384 000	2 329 000
Conditions met - transferred to revenue	(2 384 000)	(2 329 000)
Roll over not approved/ Grants recalled	-	(764 730)
	-	-

Conditions still to be met - remain liabilities (see note 11).

Massification Grant

Balance unspent at beginning of year	1 650 712	6 343 190
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(11 650 712)	(4 692 478)
	-	**1 650 712**

Conditions still to be met - remain liabilities (see note 11).

MIG

Balance unspent at beginning of year	(220 401 928)	(165 403 555)
Current-year receipts	109 630 000	106 052 000
Conditions met - transferred to revenue	(72 679 445)	(161 050 373)
	(183 451 373)	**(220 401 928)**

Conditions still to be met - remain liabilities (see note 3)

PTP Grant

Balance unspent at beginning of year	308 817	308 817
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	308 817	**308 817**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

MWIG

	2017	2016
Balance unspent at beginning of year	-	24 849 191
Current-year receipts	50 235 000	80 080 000
Conditions met - transferred to revenue	(68 365 636)	(104 929 191)
	(18 130 636)	**-**

Conditions still to be met - remain liabilities (see note 3).

Department of Water and Sanitation Grant

	2017	2016
Balance unspent at beginning of year	3 464 411	-
Current-year receipts	-	24 809 002
Conditions met - transferred to revenue	(3 464 411)	(21 344 591)
	-	**3 464 411**

Conditions still to be met - remain liabilities (see note 11).

Energy Sector

	2017	2016
Balance unspent at beginning of year	-	150 440
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(150 440)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Corridor Development Bulk Sewer Line

	2017	2016
Balance unspent at beginning of year	-	4 000 000
Current-year receipts	5 414 301	-
Conditions met - transferred to revenue	(5 414 301)	(4 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

Camperdown Water Works

	2017	2016
Balance unspent at beginning of year	4 000 095	4 000 095
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	4 000 095	**4 000 095**

Conditions still to be met - remain liabilities (see note 11).

ORIO Grant

	2017	2016
Balance unspent at beginning of year	6 354 533	2 210 947
Current-year receipts	6 360 071	8 366 912
Conditions met - transferred to revenue	(1 163 744)	(4 223 326)
	11 550 860	**6 354 533**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

SETA Grant

Balance unspent at beginning of year	-	-
Current-year receipts	12 160 669	3 424 183
Conditions met - transferred to revenue	(11 249 893)	(3 424 183)
	910 776	**-**

Conditions still to be met - remain liabilities (see note 11).

29. Investment revenue

Interest revenue		
Bank	15 432 321	17 019 400
	-	-
	15 432 321	17 019 400

30. Cash generated from operations

Surplus	36 936 687	207 193 436
Adjustments for:		
Depreciation and amortisation	61 521 906	55 713 431
Loss on sale of assets and liabilities	16 683 542	59 691
Debt impairment	61 029 639	50 253 471
Movements in provisions	2 602 946	2 261 064
Changes in working capital:		
Inventories	(796 668)	(608 096)
Receivables from exchange transactions	52 477 020	(58 044 943)
Consumer debtors	(51 646 942)	(67 076 149)
Payables from exchange transactions	(45 439 915)	78 587 353
VAT	(22 542 614)	-
Unspent conditional grants and receipts	4 661 973	(38 260 225)
Consumer deposits	318 916	437 863
	115 806 490	**230 516 896**

31. Auditors' remuneration

Fees	1 913 530	2 312 567

32. Water losses

	38 219 843	36 660 328

The municipality averages water losses to approximately 38% for (2016/2017) and 39% for (2015/2016).The loss is calculated by comparing water sales (including free basic water) to water purchases.

The water losses volumes have reduced from 7 397 293KL (2015/2016) to 6 850 662 KL (2016/2017)

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

33. Commitments

Authorised capital expenditure

Already contracted for		
• Property, plant and equipment	234 889 865	259 526 352
Contracted for operating commitments		
• Office Rental	895 699	1 815 685
• Security	16 044 291	-
• Maintenance	5 841 662	12 614 060
• Water Tankering	8 270 136	4 135 068
	31 051 788	**18 564 813**
Total commitments		
Capital commitments	234 889 865	259 526 352
Operating commitments	31 051 788	18 564 813
	265 941 653	**278 091 165**

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 (expense)

Minimum lease payments due		
- within one year	18 280 898	12 467 736
- in second to fifth year inclusive	12 770 891	6 097 077
	31 051 789	**18 564 813**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and. No contingent rent is payable.

34. Fruitless and wasteful expenditure

Opening Balance	2 121 219	2 006 022
Interest and penalties	150 250	115 197
Less: written off by council	2 121 219	2 121 219
Add: Awaiting condonation from National Treasury	(2 121 219)	(2 121 219)
	2 271 469	**2 121 219**

35. Irregular expenditure

Opening balance	1 017 354	1 017 354
Add: Irregular Expenditure - current year	342 860	-
Less: Written off by council	1 017 354	1 017 354
Amounts still awaiting condonation by National Treasury	(1 017 354)	(1 017 354)
	1 360 214	**1 017 354**

36. Deviation from supply chain management regulations

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

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

36. Deviation from supply chain management regulations (continued)

The municipality recorded deviations totalling to R 22 954 040, in the last financial year and R 28 852 109 during the current financial year, that was ratified by Full Council at the respective meetings held during the financial year ended 30 June 2017.

37. Contigent Liabilities

Mbulelo Sibiya vs uMDM &Thamsanqa Gwala

This matter is in relation to a motor vehicle accident involving an employee driving a council vehicle and another employee driving his personal vehicle whilst both were on council duty. The plaintiff has put a claim against council for costs of repairs for his personal vehicle. The matter is currently in court and it is probable that council may have to pay damages to an estimated amount of R76 000.

Telkom SA SOC Ltd vs uMDM

The matter is in relation to a claim for damages to Telkom's telecommunication infrastructure which is alleged to have been damaged by UMDM employees whilst in the course of their duties. The matter is currently in court and ready for trial and it is probable that the municipality may have to pay damages estimated at R200 000.

Telkom SA SOC Ltd vs uMDM

The matter is in relation to a claim for damages to Telkom's telecommunication infrastructure which is alleged to have been damaged by UMDM employees whilst in the course of their duties. The matter is currently in court and ready for trial and it is probable that the municipality may have to pay damages estimated at R100 000

38. Prior period errors and change

1.Correction of revenue from transfers government not realised in the prior year amounting to R4223 326.64.

Correction of Errors Movements - Statement of financial position		
Movement in Other Payables	-	(4 223 326)
Movements in Retained Earnings	-	4 223 326
	-	-

39. Events after reporting date

No events after the reporting date were identified by management that would affect the operations of the municipality or the results of those operations significantly.

Notes to the Annual Financial Statements

40. New standards and interpretations

40.1 Standards and interpretations issued, but not yet effective

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

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

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

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

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

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

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

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

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

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

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

The most significant changes to the Standard are:

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

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

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

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

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

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	-	2 767 337
Amount paid - current year	(152 701)	(2 767 337)
	(152 701)	**-**

VAT

Opening balance	24 262 633	5 403 351
Current year subscription / fee	(11 297 546)	(12 429 729)
Amount paid - current year	78 962 371	73 742 184
Amount paid - previous years	-	(42 453 173)
Balance unpaid(included in debtors)	**91 927 458**	**24 262 633**

Audit fees

Opening balance	131 904	-
Current year subscription / fee	1 913 530	2 632 114
Amount paid - current year	(2 293 329)	(2 500 210)
Balance unpaid(included in creditors)	**(247 895)**	**131 904**

PAYE ,SDL and UIF

Opening balance	-	-
Current year subscription / fee	32 775 638	30 985 592
Amount paid - current year	(32 775 638)	(30 985 592)
Balance unpaid(included in creditors)	**-**	**-**

Pension and Medical Aid

Opening balance	-	-
Current year subscription / fee	49 575 935	47 326 501
Amount paid - current year	(49 575 935)	(47 326 501)
Balance unpaid(included in creditors)	**-**	**-**

VAT

VAT receivable	-	15 288 118
VAT payable	7 254 496	-
	7 254 496	**15 288 118**

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

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

Notes to the Annual Financial Statements

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

Councillors' arrear consumer accounts

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

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N Mabhida	338	2 957	3 295

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N Mabhida	334	1 817	2 151
N Maphumulo	459	3 218	3 677
	793	**5 035**	**5 828**

N.Maphumulo has been removed in the 2017 report as she is no longer a councillor at Umgungundlovu district municipality.

30 June 2017	Highest outstanding amount	Aging (in days)
N Mabhida	2 572	180

30 June 2016	Highest outstanding amount	Aging (in days)
N Mabhida	2 151	180
N Maphumulo	3 677	180
	5 828	**180**

42. Budget differences

Material differences between budget and actual amounts

A. More favourable interest rate return than anticipated and planned earlier withdrawal of investments not actioned.

B. Overestimation of planned revenue from other sources.

C. Savings from planned operational programmes expenditure.