Mopani District Municipality
(Demarcation code DC33)
Financial statements
for the year ended 30 June 2017

General Information

Nature of business and principal activities	Provision of a democratic and accountable Local Government for communities in the mopani district area; •Ensuring the provision of services to these communities in a sustainable manner; •Promotion of social and economic development; •Promotion a safe and healthy environment; and •Encourage the involvement of communities and community organisations in the matters of Local Government in the mopani district
Executive Mayor	Councillor Rakgoale N.C
Speaker	Councillor Sedibeng D.W
Chief Whip	Councillor Maswanganyi N.K
Mayoral Committee	Councillor Baloyi N.N Councillor Zandamela N.H Councillor Mohale M.C Councillor Sefufi M.H Councillor Sono N.A Councillor Maloko M.L Councillor Mathonsi E.J Councillor Maswanganyi M.O Councillor Mokgobi M.L
	Mayoral Committee Members (2011-2016) Councillor Ndove D.L Councillor Makhurupetji - Malatji M.N Councillor Mametja M.R Councillor Nkuna C Councillor Ramaremela T.P Councillor Moshobane S.H Councillor Hlatswayo C Councillor Sibiya M
MPAC Chairperson	Councillor Modjadji G.H Councillor Nkanyani R.P (2011-2016)
Other Councillors	Councillor Kgagotle J.M Councillor Malatji P.T Councillor Nkuna S.J Councillor Helm M.A Councillor Nyakane M.R Councillor Mushwana D Councillor Ramathoka C.M Councillor Chauke M.R Councillor Nkhwashu M.C Councillor Makwela M.M Councillor Rapatsa K.I Councillor Mahasha N.M Councillor Malemela D Councillor Shisinga C.T

General Information

Councillor Pohl R.E
Councillor Makwala M.M
Councillor Mashele J.G
Councillor Makwala S.C
Councillor Malatji G.M
Councillor Madike M.F
Councillor Mathaba M.A
Councillor Popela M.D
Councillor Maluleke G.A
Councillor Makasela R
Councillor Mathebula M.M.A
Councillor Ramothwala B
Councillor Morasetla M.F
Councillor Mthombeni T.N
Councillor Valoyi X.J
Councillor Shimange F.M.I
Councillor Zitha T.C
Councillor Makhubele T
Councillor Manganyi S.V
Councillor Maake M.D
Councillor Maenetsa M.B
Councillor Maake M.R
Councillor Mangoro M.V
Councillor Manyama M.F
Councillor Mathedimosa M.B
Councillor Senyolo T.J

Councillors 2011 -2016
Councillor Mushwana O.J
Councillor Mathonsi N.V
Councillor Lewele M.M
Councillor Machethe L.N
Councillor Ngobeni A
Councillor Mabasa M.H
Councillor Rakganya M.P
Councillor Monyela K.J
Councilor Mokoele S.G
Councillor Cronje P.W
Councillor Mabunda M.A
Councillor Makhubele M
Councillor Moshwana T.J
Councillor Rikhotso M.Q
Councillor Mohale N.L
Councillor Mbhalati J.H.S
Councillor Mokgobi M.L
Councillor Makwala S.C
Councillor Mafona M.E
Councillor Selowa TJ
Councillor Mamogale M.C
Councillor Mohlala M.F

General Information

	Councillor Mabale S.P Councillor Mantlhaka A.M Councillor Mashele M.B Councillor Flemming C.L Councillor Malesa M.G Councillor Makwala M.O Councillor Mashele J.G Councillor Magoro M.C Councillor Mokgolobotho M.J Councillor Mathebula M.V Councillor Manganyi T.C Councillor Fuela H Councillor Mbhalati M.F Councillor Mashatola M.Q
Grading of local authority	4
Accounting Officer	Monakedi S.R
Chief Finance Officer	Kgatla Q
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Website	www.mopani.gov.za
Currency	South African Rands
Rounding off	Nearest Rand
Bankers	ABSA
Auditors	Auditor - General of South Africa
Audit Committee	Dr Manzini H.N (Chairperson) Adv. Kholong S.S.T Mr Hlomane H.G Mrs Mudau M.S Mr Nevhutalu T.G CA(SA)

General Information

Lawyers	Leepile & Mbewe Inc
	T.J Machethe Attorneys
	Maloka Thulare Attorneys
	Mbewe & Associates
	Mogaswa Incorporate
	Magabe Attorneys
	Modjadji Raphesu Attorneys
	SML Matsaung Attorneys
	Verveen Attorneys
	Talane Associates
	Sefalafala Attorneys
	Mabu Letaba Attorneys

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

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Abbreviations

ABSA	Amalgamated Banks of South Africa
AFS	Annual Financial Statements
CFO	Chief Financial Officer
CoGHSTA	Cooperative Governance Human Settlements and Traditinal Affairs
COID	Compensation for Occupational Injuries and Diseases
DWAS	Department of Water and Sanitation
EPWP	Extended Public Works Programme
FIFO	First-In-First-Out
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IT	Information Technology
JSE	Johannesburg Stock Exchange
LP	Limpopo Province
LGW SETA	Local Government Sector Education and Training Authority
LWN	Lepelle Northern Water
LMs	Local Municipalities
LSA	Long Service Award
MDM	Mopani District Municipality
MFMA	Municipal Finance Management Act (Act No 56 of 2003)
MIG	Municipal Infrastructure Grant
MWIG	Municipal Water Infrastructure Grant
PMDS	Perfomance Management and Development System
PPE	Property, Plant and Equiptment
PAYE	Pay as you earn
RHIG	Rural Housing Grant
SDL	Skills Development Levy
SALGABC	South African Local Government Bargaining Council
SALGA	South Africa Local Government Association

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UIF	Unemployment Insurance Fund;
VAT	Value Added Tax
WSA	Water Service Authority
WSOG	Water Service Operating 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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or 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 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 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future

The financial statements are prepared on the basis that the municipality is a going concern and that the Mopani District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. 9.

The financial statements set out on pages 9 to 86, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2017 and were signed on its behalf by:

Accounting Officer
Monakedi S.R

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of a democratic and accountable local government for communities in the mopani district area;
•ensuring the provision of services to these communities in a sustainable manner;
•promotion of social and economic development;
•promotion a safe and healthy environment; and
•encourage the involvement of communities and community organisations in the matters of local government in the mopani district and operates principally in South Africa.

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

Net surplus of the municipality was R 45 973 360 (2016: surplus R 79 830 048)

2. Going concern

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

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

As at 30 June 2016, the muncipality's current liabilities exceeds current assets by R886 339 820.00

The following are main factors that might have led to the above:-

The municipality is experiencing challenges of collecting own revenue from water and sanitation. This is due to weakness in controls involving management of revenue at the local municipalities since the latter are service providers and the district is the service authority.

The municipality is service significant historic obligations that do not necessarily have source of funding other than the funding from National Treasury. These obligations include Lepelle Northern Water estimated at R500 million, Department of Water Affairs estimated at R250 million, as well as litigations and claims that come on an ad hoc and surprise basis. These litigations and claims can easily cost the municipality over R100 million per annum.

There is a need to relook into the municipality’s obligations against its resources as the situation currently is not sustainable.

The municipality invests a significant amount of resources in the water and sanitation infrastructure with little if any return. This is as the municipality spend a full calendar year without a cent being received from water and sanitation consumers.

It is extremely difficult to effectively monitor the cash flow of the municipality because a lot of payments are historic and come on surprise bases. These payments come in various form including, historic underpayment of employees, historic claims of contractors, historic legal fees, unpredictable and excessive overtime payments from essential services sections, etc.

More often than not, MIG funding transfer for committed projects from National Treasury are delayed putting more pressure on the liquidity of the municipality.

Even though the current liabilities exceed the current assets the municipality is a going concern because of the following reasons:

a)There is a guaranteed funding from National Treasury in a form of equitable shares;
b) There is no change in the legislation that impact on the municipality's ability to continue as a going concern;
c) There is plans to ensure that there is effective spending of funds.

Accounting Officer's Report

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year. The MIG amount of R180 000 000 was redirected to Coghsta due to slow spending by the municipality.

4. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report is as follows:

Tsebe M.S	01 July 2016 - 30 September 2016.
Kgatla Q	01 October 2016 - 31 December 2016.
Shitlhangu D.D	01 January 2017 - 31 March 2017.
Monakedi S.R	01 April 2017 to date.

6. Bankers

ABSA Bank

7. Auditors

Auditor - General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	8	14 756 932	55 143 120
Receivables from exchange transactions	9	197 953 399	145 480 314
VAT receivable	10	119 537 056	131 906 873
Consumer debtors	11	176 294 968	223 722 271
Cash and cash equivalents	12	7 752 472	109 357 699
		516 294 827	**665 610 277**
Non-Current Assets			
Property, plant and equipment	3	4 948 014 788	4 647 668 547
Intangible assets	4	8 119 393	9 100 009
Heritage assets	5	432 000	432 000
Asset Held for Sale	7	15 504	15 504
		4 956 581 685	**4 657 216 060**
Non-Current Assets		4 956 581 685	4 657 216 060
Current Assets		516 294 827	665 610 277
Total Assets		**5 472 876 512**	**5 322 826 337**
Liabilities			
Current Liabilities			
Provision on landfill Site - MLM	6	11 971 993	11 695 215
Payables from exchange transactions	16	1 333 043 885	1 070 150 252
Bonus Provision	17	6 557 413	6 445 653
Consumer deposits	18	4 039 720	6 363 945
Unspent conditional grants and receipts	14	2 186 553	76 398 815
Provisions	15	44 835 083	41 316 061
		1 402 634 647	**1 212 369 941**
Non-Current Liabilities			
Provisions	15	80 502 509	78 699 729
Non-Current Liabilities		80 502 509	78 699 729
Current Liabilities		1 402 634 647	1 212 369 941
Total Liabilities		**1 483 137 156**	**1 291 069 670**
Assets		5 472 876 512	5 322 826 337
Liabilities		(1 483 137 156)	(1 291 069 670)
Net Assets		**3 989 739 356**	**4 031 756 667**
Accumulated surplus	13	3 989 739 359	4 031 756 670

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	166 927 478	268 609 706
Interest on outstanding debtors		40 355 569	85 901 369
Other income	22	677 360	3 140 805
Interest received - investment	23	7 028 526	11 789 930
Total revenue from exchange transactions		**214 988 933**	**369 441 810**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	25	961 718 681	863 709 577
		214 988 933	369 441 810
		961 718 681	863 709 577
Total revenue	19	**1 176 707 614**	**1 233 151 387**
Expenditure			
Employee costs	26	(321 188 887)	(297 101 783)
Remuneration of Councillors	27	(11 934 680)	(12 395 761)
Mopani household sanitation		-	(319 911)
Depreciation and amortisation	28	(171 751 370)	(175 275 679)
Auditors Remuneration	34	(3 890 681)	(4 255 713)
Finance cost	29	(214 110)	(1 843 130)
Debt Impairment	30	(56 580 736)	(4 045 577)
Repairs and maintenance		(86 967 367)	(121 816 595)
Bulk purchases	31	(298 587 131)	(327 068 975)
Contracted services	32	(62 549 812)	(32 930 720)
Grants and subsidies paid	24	(863 815)	(2 193 310)
General expenses	33	(116 205 665)	(118 007 874)
Impairment loss	33	-	(54 940 945)
Total expenditure		**(1 130 734 254)**	**(1 152 195 973)**
		-	-
Total revenue		1 176 707 614	1 233 151 387
Total expenditure		(1 130 734 254)	(1 152 195 973)
Operating surplus		**45 973 360**	**80 955 414**
Loss on disposal of assets and liabilities		-	(1 125 366)
Operating surplus/deficit		-	(1 125 366)
Surplus before taxation		45 973 360	79 830 048
Taxation		-	-
Surplus for the year		**45 973 360**	**79 830 048**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total
Balance at 01 July 2015	**3 951 926 622**	**3 951 926 622**
Surplus for the year	79 830 048	79 830 048
Total changes	79 830 048	79 830 048
Opening balance as previously reported	4 031 756 670	4 031 756 670
Adjustments		
Correction of errors	(87 990 671)	(87 990 671)
Restated* Balance at 01 July 2016 as restated*	**3 943 765 999**	**3 943 765 999**
Surplus for the year	45 973 360	45 973 360
Total changes	45 973 360	45 973 360
Balance at 30 June 2017	**3 989 739 359**	**3 989 739 359**

Note(s)

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Grants		984 091 077	898 072 537
Interest income		7 028 526	11 789 930
Other receipts		683 275	896 244
VAT refund		139 768 167	-
		1 131 571 045	910 758 711
Payments			
Employee costs		(259 732 629)	(240 868 206)
Suppliers		(461 418 511)	(599 964 672)
Finance costs		(214 110)	(1 843 130)
		(721 365 250)	(842 676 008)
Total receipts		1 131 571 045	910 758 711
Total payments		(721 365 250)	(842 676 008)
Net cash flows from operating activities	35	**410 205 795**	**68 082 703**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(511 811 022)	(72 565 322)
Purchase of other intangible assets	4	-	(480 000)
Net cash flows from investing activities		**(511 811 022)**	**(73 045 322)**
Cash flows from financing activities			
Finance lease payments		-	(6 474)
Net increase/(decrease) in cash and cash equivalents		**(101 605 227)**	**(4 969 093)**
Cash and cash equivalents at the beginning of the year		109 357 699	114 326 792
Cash and cash equivalents at the end of the year	12	**7 752 472**	**109 357 699**

* See Note 39

Mopani District Municipality

(Registration number DC33)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	207 461 000	(37 488 000)	**169 973 000**	149 190 000	**(20 783 000)**	12.23
Interest on outstanding debtors	30 459 595	-	**30 459 595**	25 281 219	**(5 178 376)**	17.00
Interest received - investment	10 300 000	(2 300 000)	**8 000 000**	7 028 526	**(971 474)**	12.14
Total revenue from exchange transactions	**248 220 595**	**(39 788 000)**	**208 432 595**	**181 499 745**	**(26 932 850)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	705 950 000	(2 140 000)	**703 810 000**	643 434 000	**(60 376 000)**	8.58
'Total revenue from exchange transactions'	248 220 595	(39 788 000)	**208 432 595**	181 499 745	**(26 932 850)**	
'Total revenue from non-exchange transactions'	705 950 000	(2 140 000)	**703 810 000**	643 434 000	**(60 376 000)**	
Total revenue	**954 170 595**	**(41 928 000)**	**912 242 595**	**824 933 745**	**(87 308 850)**	
Expenditure						
Personnel	367 641 000	(34 638 000)	**333 003 000**	(321 188 887)	**(654 191 887)**	196.45
Remuneration of councillors	13 297 000	2 000 000	**15 297 000**	(11 934 680)	**(27 231 680)**	178.02
Depreciation and amortisation	184 688 000	200 000	**184 888 000**	(171 751 370)	**(356 639 370)**	192.89
Finance costs	150 000	-	**150 000**	(214 110)	**(364 110)**	242.74
Repairs and maintenance	95 296 430	46 222 055	**141 518 485**	(86 967 367)	**(228 485 852)**	161.45
Bulk purchases	175 887 358	(103 047 000)	**72 840 358**	(298 587 131)	**(371 427 489)**	509.92
Contracted Services	10 877 000	26 000 000	**36 877 000**	(62 549 812)	**(99 426 812)**	269.62
Debt Impairment	23 398 895	-	**23 398 895**	(863 815)	**(24 262 710)**	103.69
General Expenses	192 652 910	(38 097 870)	**154 555 040**	(176 677 082)	**(331 232 122)**	177.93
Total expenditure	**1 063 888 593**	**(101 360 815)**	**962 527 778**	**(1 130 734 254)**	**(2 093 262 032)**	
	954 170 595	(41 928 000)	**912 242 595**	824 933 745	**(87 308 850)**	
	1 063 888 593	(101 360 815)	**962 527 778**	(1 130 734 254)	**(2 093 262 032)**	
Operating deficit	**2 018 059 188**	**(143 288 815)**	**1 874 770 373**	**(305 800 509)**	**(2 180 570 882)**	
Transfer Recognised - Capital	440 956 000	(40 712 000)	**400 244 000**	317 788 000	**(82 456 000)**	20.60
	2 018 059 188	(143 288 815)	**1 874 770 373**	(305 800 509)	**(2 180 570 882)**	
	440 956 000	(40 712 000)	**400 244 000**	317 788 000	**(82 456 000)**	
Surplus before taxation	**2 459 015 188**	**(184 000 815)**	**2 275 014 373**	**11 987 491**	**(2 263 026 882)**	
Deficit before taxation	2 459 015 188	(184 000 815)	**2 275 014 373**	11 987 491	**(2 263 026 882)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**2 459 015 188**	**(184 000 815)**	**2 275 014 373**	**11 987 491**	**(2 263 026 882)**	

Reconciliation

Mopani District Municipality

(Registration number DC33)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	338 752 968	-	**338 752 968**	197 953 399	**(140 799 569)**	
VAT receivable	11 303 986	-	**11 303 986**	119 537 056	**108 233 070**	
Consumer debtors	298 578 682	-	**298 578 682**	176 294 968	**(122 283 714)**	
Cash and cash equivalents	16 545 000	-	**16 545 000**	7 752 472	**(8 792 528)**	
	680 729 636	**-**	**680 729 636**	**517 086 895**	**(163 642 741)**	
Non-Current Assets						
Property, plant and equipment	4 802 348 242	-	**4 802 348 242**	4 948 014 788	**145 666 546**	
Intangible assets	10 241 957	-	**10 241 957**	8 119 393	**(2 122 564)**	
Heritage assets	432 000	-	**432 000**	432 000	**-**	
Asset Held for Sale	-	-	**-**	15 504	**15 504**	
	4 813 022 199	**-**	**4 813 022 199**	**4 956 581 685**	**143 559 486**	
Non-Current Assets	680 729 636	-	**680 729 636**	517 086 895	**(163 642 741)**	
Current Assets	4 813 022 199	-	**4 813 022 199**	4 956 581 685	**143 559 486**	
Total Assets	**5 493 751 835**	**-**	**5 493 751 835**	**5 473 668 580**	**(20 083 255)**	
Liabilities						
Current Liabilities						
Finance lease obligation	1 061 084	-	**1 061 084**	-	**(1 061 084)**	
Operating lease liability	-	-	**-**	11 971 993	**11 971 993**	
Payables from exchange transactions	531 127 376	-	**531 127 376**	1 333 043 885	**801 916 509**	
Taxes and transfers payable (non-exchange)	-	-	**-**	6 557 413	**6 557 413**	
Consumer deposits	4 674 666	-	**4 674 666**	4 039 720	**(634 946)**	
Unspent conditional grants and receipts	-	-	**-**	29 002 732	**29 002 732**	
Provisions	5 588 304	-	**5 588 304**	44 835 083	**39 246 779**	
	542 451 430	**-**	**542 451 430**	**1 429 450 826**	**886 999 396**	
Non-Current Liabilities						
Provisions	57 936 758	-	**57 936 758**	80 502 509	**22 565 751**	
	542 451 430	-	**542 451 430**	1 429 450 826	**886 999 396**	
	57 936 758	-	**57 936 758**	80 502 509	**22 565 751**	
	-	-	**-**	-	**-**	
Total Liabilities	**600 388 188**	**-**	**600 388 188**	**1 509 953 335**	**909 565 147**	
Assets	5 493 751 835	-	**5 493 751 835**	5 473 668 580	**(20 083 255)**	
Liabilities	(600 388 188)	-	**(600 388 188)**	(1 509 953 335)	**(909 565 147)**	
Net Assets	**4 893 363 647**	**-**	**4 893 363 647**	**3 963 715 245**	**(929 648 402)**	

Mopani District Municipality
(Registration number DC33)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 893 363 647	-	**4 893 363 647**	3 963 715 245	**(929 648 402)**	

Mopani District Municipality
(Registration number DC33)
Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	114 335 000	(114 335 000)	**-**	-	**-**	
Grants	1 256 194 000	(152 140 000)	**1 104 054 000**	648 788 000	**(455 266 000)**	
Interest income	10 300 000	(2 300 000)	**8 000 000**	5 690 000	**(2 310 000)**	
Other receipts	1 094 000	(54 000)	**1 040 000**	683 000	**(357 000)**	
	1 381 923 000	**(268 829 000)**	**1 113 094 000**	**655 161 000**	**(457 933 000)**	
Payments						
Employee costs	-	(308 291 345)	**(308 291 345)**	(380 719)	**307 910 626**	
Suppliers	-	(474 713 241)	**(474 713 241)**	-	**474 713 241**	
	-	**(783 004 586)**	**(783 004 586)**	**(380 719)**	**782 623 867**	
Total receipts	1 381 923 000	(268 829 000)	**1 113 094 000**	655 161 000	**(457 933 000)**	
Total payments	-	(783 004 586)	**(783 004 586)**	(380 719)	**782 623 867**	
Net cash flows from operating activities	**1 381 923 000**	**(1 051 833 586)**	**330 089 414**	**654 780 281**	**324 690 867**	
Cash flows from investing activities						
Purchase of property, plant and equipment	558 572 000	(34 113 916)	**524 458 084**	(235 080 000)	**(759 538 084)**	
Net increase/(decrease) in cash and cash equivalents	1 940 495 000	(1 085 947 502)	**854 547 498**	419 700 281	**(434 847 217)**	
Cash and cash equivalents at the end of the year	**1 940 495 000**	**(1 085 947 502)**	**854 547 498**	**419 700 281**	**(434 847 217)**	

Accounting Policies

1. Presentation of Financial Statements

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

These 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.

These unaudited annual financial statements present fairly the financial position, financial performance and cash flows of the municipality.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality's cash flow improved in the last quarter and management of the municipality is confident that the municipality will be able to meet its obligations as they become due   The municipality had cash flow challenges during the year under review due to mainly the withholding of funds by National Treasury. The circumstances that led to the withdrawal of funds by National Treasury have been corrected and the Municipality is expected to receive its full allocations from National Treasury in the 2017-18 financial year, and beyond.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation municipality note 39.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

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

Allowance for doubtful debts

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Cash and Cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade payables

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

Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the balance sheet date that are indicative of conditions that arose after the Balance Sheet date are disclosed with by way of note to the Financial Statements.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	4 - 10 years
Furniture and fixtures	5 - 7 years
Motor vehicles	7 - 15 years
Work in Progress	4 - 5 years
Information Technology equipment	4 years
Specialised vehicles	15 years
Water reservoirs and reticulation	5 - 60 years
Sewerage purification	5 - 60 years

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

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

The depreciation charge for each period is recognised in municipality 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 municipality 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.

1.5 Intangible assets

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

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.

1.5 Intangible assets (continued)

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.

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; and
- 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 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	Useful life
Licenses and franchises	5 years
Computer software, other	5 years
Blyde Water Utility	20 years

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

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

1.6 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.7 Financial instruments

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

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

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 municipality's statement of financial position.

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

Accounting Policies

1.7 Financial instruments (continued)

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

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

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 municipality.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital; or
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.7 Financial instruments (continued)

- 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 available for sale
  - 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
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	loans and receivables
Consumer debtors	loans and receivables
Loans and receivables	loans and receivables
Held-to-maturity investments	held on maturity

The municipality 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
Other Financial Liabilities	Financial liability measured at amortised cost
Trade and Other Payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at fair value

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

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; or
- Financial instruments at amortised cost; or
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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 municipality or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in municipality 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:

Accounting Policies

1.7 Financial instruments (continued)

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 municipality 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 municipality or deficit.

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in municipality or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in municipality or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.7 Financial instruments (continued)

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

1.8 Taxation

Valued Added Tax

The municipality accounts for Value Added Tax on payment basis in accordance with section 15(2)(a) of the Value Added Tax (Act No. 89 of 1991)".

1.9 Leases

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

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

Finance leases - lessee

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

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

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

Finance lease are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

Accounting Policies

1.10 Inventories (continued)

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

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

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

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

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

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

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

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

1.11 Construction contracts and receivables

Change in accounting estimate.
Change in accounting estimate is an adjustement of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities.

Changes in accouting estimates result form new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

Change in accounting policy
Accounting policies are the specific principles, bases, rules and practices applied by a municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied wither retrospectively or prospectivley if trasitional provisions exists.
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Prior period Errors
Prior period errors are omissions from and misstatements in the municipality's financial statements for one or more prior periods arising from a failure to use of reliable information that;
- was available when financial statements for those periods were authorised for issue; and -
could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud.

1.12 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Accounting Policies

1.12 Non-current assets held for sale and disposal groups (continued)

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in municipality or deficit.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary 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:
- the period of time over which an asset is expected to be used by the municipality; or
- 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 follows:

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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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 municipality 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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary 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.

Accounting Policies

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

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:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Reversal of an impairment loss

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

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

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

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

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

1.15 Share capital / contributed capital

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

1.16 Employee benefits

Employee benefits are all forms of consideration given by an municipality 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 municipality, 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 municipality’s own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an municipality’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.

Accounting Policies

1.16 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality 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 municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality 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 municipality 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.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

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

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

1.16 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 municipality 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 municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- 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 municipality 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 municipality or deficit.

Accounting Policies

1.16 Employee benefits (continued)

The municipality 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in municipality 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 municipality 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 municipality 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 municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality 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 municipality 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 municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a municipality 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.

Accounting Policies

1.16 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.

Long term service awards

Employees qualifify for additional leave for various period of uninterrepted service in accourdance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date; and
- less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Employee benefits (continued)

Accumulated leave days

Accumulated leave benefit accrues to employees up to maximum of 48 leave days. The benefits are paid in the events of death, disabiltiy, retrechment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in the municipality combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in municipality or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation municipality or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in municipality or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in municipality or deficit; and
  - an increase in the liability is recognised in municipality or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in municipality or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to municipality or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in municipality or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in municipality or deficit as a finance cost as it occurs.

Accounting Policies

1.17 Provisions and contingencies (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
-provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

The rate used to discount the benefit reflects the time value of money.
In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

1.18 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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.

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends is recognised when:

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

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

1.19 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 municipality 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.

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 municipality without directly giving approximately equal value in exchange, or gives value to another municipality 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.

1.19 Revenue from non-exchange transactions (continued)

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.

1.20 Investment Property

The municipality does not have investment property.

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an municipality directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.22 Comparative figures

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

Budget information in accordance with GRAP 1 and GRAP 24 has been provided in a note to these financial statements and forms part of the unaudited financial statements. Explanantions for material variences are provided where actual amounts differ from budgeted amounts by at least 10%. When the presentation or classification of items in the annual financial statements is amendeed, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the currect year, the correction is made retrospectively as far as is practicable, and the prior year comparitives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

Accounting Policies

1.23 Unauthorised expenditure (continued)

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

1.26 Changes in Accounting Policy, Accounting estimates and prior period errors

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

1.27 Budget information

Municipalities 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 municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual 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.

Variances above 10 percent are considered significant.

1.27 Budget information (continued)

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.

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

1.28 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, entities within the National, Provincial and Local 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 fa.mily 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.

1.29 Commitments

A commitment arises when a decision is made to incur a liability e.g purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention agree to an outflow of resources, outflow of resources becomes a present obliligation.

Notes to the Financial Statements

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 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 has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

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 has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

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 standard is not yet set by the Minister of Finance.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

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

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

The impact of the standard is set out in note Changes in Accounting Policy.

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

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

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

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

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

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

Notes to the Financial Statements

2. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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 financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's 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 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:

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

GRAP 109: Accounting by Principals and Agents

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

2. New standards and interpretations (continued)

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

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and

Notes to the Financial Statements

2. New standards and interpretations (continued)

- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

Notes to the Financial Statements

Figures in Rand

3. 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	11 980 776	-	11 980 776	11 980 776	-	11 980 776
Buildings	163 376 355	(71 984 541)	91 391 814	163 311 355	(65 098 072)	98 213 283
Work in Progress	898 817 488	-	898 817 488	464 903 857	-	464 903 857
Infrastructure	7 177 337 697	(3 267 170 344)	3 910 167 353	7 138 951 337	(3 104 674 852)	4 034 276 485
Other property, plant and equipment	61 286 609	(25 629 252)	35 657 357	60 291 980	(22 000 631)	38 291 349
Other leased Assets	32 725	(32 725)	-	32 725	(29 928)	2 797
Total	**8 312 831 650**	**(3 364 816 862)**	**4 948 014 788**	**7 839 472 030**	**(3 191 803 483)**	**4 647 668 547**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Under Construction**	**Additions**	**Transfers**	**Depreciation**	**Total**
Land	11 980 776	-	-	-	-	11 980 776
Buildings	98 213 283	65 000	-	-	(6 886 469)	91 391 814
Work in Progress	464 903 857	472 365 012	-	(38 451 381)	-	898 817 488
Infrastructure	4 034 276 485	-	38 386 381	-	(162 495 513)	3 910 167 353
other property, plant and equipment	38 291 349	994 629	-	-	(3 628 621)	35 657 357
leased Assets	2 798	-	-	-	(2 798)	-
	4 647 668 548	**473 424 641**	**38 386 381**	**(38 451 381)**	**(173 013 401)**	**4 948 014 788**

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	11 980 776	-	-	-	11 980 776
Buildings	105 760 279	-	(7 546 996)	-	98 213 283
Work in Progress	519 844 802	-	-	(54 940 945)	464 903 857
Infrastructure	4 125 365 546	71 036 683	(162 125 744)	-	4 034 276 485
Other property, plant and equipment	42 963 202	1 532 059	(3 648 127)	(2 555 785)	38 291 349
leased Assets	969 779	-	(966 982)	-	2 797
	4 806 884 384	**72 568 742**	**(174 287 849)**	**(57 496 730)**	**4 647 668 547**

Pledged as security

Carrying value of assets pledged as security

The municipality has reviewed its FAR and arrived at a conclusion that an amount of R54 940 945 relating Mopani District Municipality Office Building should be impaired on the basis that the structure has defects and as such construction will not be continued on the structure.

Heritage assets

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.

4. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 577 760	(1 034 781)	542 979	1 577 760	(753 732)	824 028
Bylde Utility	13 991 354	(6 414 940)	7 576 414	13 991 354	(5 715 373)	8 275 981
Total	**15 569 114**	**(7 449 721)**	**8 119 393**	**15 569 114**	**(6 469 105)**	**9 100 009**

Reconciliation of intangible assets - 2017

	Opening balance	**Amortisation**	**Total**
Computer software, other	824 028	(281 049)	542 979
Blyde Utility	8 275 981	(699 567)	7 576 414
	9 100 009	**(980 616)**	**8 119 393**

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	632 291	480 000	(288 263)	824 028
Blyde Utility	8 975 363	-	(699 382)	8 275 981
	9 607 654	**480 000**	**(987 645)**	**9 100 009**

Pledged as security

Carrying value of intangible assets pledged as security:

Notes to the Financial Statements

Figures in Rand

5. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain	432 000	-	432 000	432 000	-	432 000

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Mayoral Chain	432 000	432 000

Pledged as security

Carrying value of heritage assets pledged as security:

6. Operating lease asset (accrual)

7. Asset Held for Sale

8. Inventories

Consumable stores	14 287 634	13 381 398
Ba - Phalaborwa Municipality	6 545	36 302 559
Greater Giyani Municipality	60 553	996 429
Greater Tzaneen Municipality	310 749	244 749
Greater Letaba Municipality	91 451	4 217 985
	14 756 932	**55 143 120**

Notes to the Financial Statements

Figures in Rand	2017	2016

9. Receivables from exchange transactions

Staff Debtors	429 868	569 838
PMDS pay progression	-	5 751 664
Audit Committee Proportional Payment	2 612 341	2 612 341
Councillors Debtors	170 168	170 168
Service Providers	982 189	1 009 189
Greater Tzaneen Municipality	1 462 446	1 895 833
Ba - Phalaborwa Municipality	180 931 794	133 471 281
National Treasury	11 364 593	-
	197 953 399	**145 480 314**

10. VAT receivable

VAT	119 537 056	131 906 873

Notes to the Financial Statements

Figures in Rand	2017	2016

11. Consumer debtors

Gross balances		
Water	652 499 322	661 765 818
Sewerage	132 742 054	133 088 046
Total gross balances	**785 241 376**	**794 853 864**
Less: Allowance for impairment		
Water	(556 516 413)	(531 668 847)
Sewerage	(52 429 995)	(39 462 746)
Total allowance for impairments	**(608 946 408)**	**(571 131 593)**
Net balance		
Water	95 982 909	130 096 971
Sewerage	80 312 059	93 625 300
Total net balance	**176 294 968**	**223 722 271**
Water		
Current (0 -30 days)	8 210 164	13 252 117
31 - 60 days	7 924 865	8 432 645
61 - 90 days	5 857 486	9 523 803
91 - 120 days	304 576 242	7 344 127
121 - 365 days	-	85 954 445
> 365 days	-	580 733 974
Impairment	(230 585 848)	(575 144 140)
Total	**95 982 909**	**130 096 971**
Sewerage		
Current (0 -30 days)	2 701 640	2 305 218
31 - 60 days	2 937 924	1 753 946
61 - 90 days	1 867 342	1 625 675
91 - 120 days	90 801 876	1 593 064
121 - 365 days	-	18 103 712
> 365 days	-	98 882 850
Impairment	(17 996 723)	(30 639 165)
Total	**80 312 059**	**93 625 300**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(571 131 593)	(571 131 593)
Contributions to allowance	(37 814 815)	-
Total	**(608 946 408)**	**(571 131 593)**

Consumer debtors per local municipality

Consumer debtors	-	-
Ba - Phalaborwa Municipality	435 264 743	465 958 673
Greater Tzaneen Municipality	66 634 364	79 758 156
Greater Giyani Municipality	66 316 043	54 853 513
Greater Letaba Municipality	46 455 486	38 005 364
Maruleng Municipality	1 433 534	1 711 905
Total	**616 104 170**	**640 287 611**

Figures in Rand	2017	2016

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 431 485	16 804 189
Short-term deposits	2 320 987	92 553 510
	7 752 472	**109 357 699**

The huge difference between the prior year and current year was due to the following:- --
-MIG payments certificate (non registered) funded by equitable shares;
-The municipality has low roll over in the current year as compared to the prior year;
-Non - Collection of own revenue on water and sanitation transaction.

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**
ABSA BANK - Account Type - 405-277-1364	5 431 485	16 804 189	7 855 400	5 431 485	16 804 189	7 855 400
ABSA BANK - Account Type - 408-091-1671	2 083 248	53 038 542	81 446 221	2 083 248	53 038 542	81 446 221
ABSA BANK - Account Type - 408-091-1613	237 738	39 514 968	25 025 171	237 738	39 514 968	25 025 171
Total	**7 752 471**	**109 357 699**	**114 326 792**	**7 752 471**	**109 357 699**	**114 326 792**

13. Accumulated surplus

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	75 662 544
Rural Transport Grant	2 049 000	85 785
LP Health Grant	-	450 486
European Union Grant	137 553	-
Unspent LP Econ Grant	-	200 000
Total	**2 186 553**	**76 398 815**

See **note 17** for the reconciliation of grants from other subsidies of government

Notes to the Financial Statements

Figures in Rand	2017	2016

15. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Post retirement medical aid benefits	62 168 459	1 884 422	64 052 881
Long service awards	57 847 331	3 437 380	61 284 711
Total	**120 015 790**	**5 321 802**	**125 337 592**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Post retirement medical aid benefits	55 499 990	6 668 469	62 168 459
Longs service awards	49 294 388	8 552 943	57 847 331
Total	**104 794 378**	**15 221 412**	**120 015 790**

	2017	2016
Non-current liabilities	80 502 509	78 699 729
Current liabilities	44 835 083	41 316 061
	125 337 592	**120 015 790**

Post retirement medical aid benefits

An actuarial valuation has been performed in respect of benefits to eligible retirees and current retirees.

Long service awards

The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2013. This valuation is referred to in Section 6 of the actuary's report, where its results are compared to these results

Table 3.1 Description	Completed Service (in Years)	Long Service Bonuses (%of Annual Salary)
10 / 250 x annual salary	10	4
20 / 250 x annual salary	15	8
30 / 250 x annual salary	20	12
	45	**24**

History of liabilities, assets and experience adjustments

History of liabilities and assets

The table below summarises the accrued liabilities and the plan assets for the current period and the previous three periods.

	Year ended 30/06/2014	Year ended 30/06/2015	Year ended 30/06/2016	Year ended 30/06/2017
Acrued Liability	12 422 520	12 737 431	14 156 456	14 299 132

History of experience adjustments (gains/losses)

15. Provisions (continued)

The table below summarises the experience adjustments for the current and previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred

Table below: History of experience adjustments: (Gains) and Losses

	Year ended 30/06/2014	Year ended 30/06/2015	Year ended 30/06/2016	Year ended 30/06/2017
Liability: (Gain) / Loss	563 365	500 576	1 750 592	1 033 304

Past and Future Changes in the Accrued Liability

The table below shows the development of the Accrued Liability over the current period, and projects the Employer's Unfunded Accrued Liability adn periodic costs over the two-year period following the Valuation Date.

These projections assume that the LSA arrangements remain as outlined in Section 3, and that all the acturial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Employer towards prefunding its liability via an off - balance sheet vehicle.

There are no Past Service Costs, Curtailments or Settlements to reflect.

Employee benefit cost provision	Year ended 30/06/2017	Year ended 30/06/2018	Year ended 30/06/2019
Opening accrued liability	14 156 456	14 299 132	14 721 870
Current service cost	939 006	948 359	1 026 666
Interest cost	1 113 610	1 114 328	1 105 006
Expected benefit vestings	(2 330 523)	(1 639 949)	(2 732 900)
Total annual expense	(277 907)	422 738	(601 228)
Acrual loss/(gain)	420 583	-	-
Closing accrued liability	14 299 132	14 721 870	14 120 642
	-	-	-

Rate of future accumulation of unused leave

The balance of the number of unused leave days at the valuation date was provided by the municipality.

In order to estimate the number of unused leave days at the date of retirement or withdrawal, an assumption regarding the future rate of accumulation of unused leave days per annum is required. This rate was estimated using the following assumptions:

- Employees with a balance of 48 days or more unused leave at the valuation date were assumed to have 48 days unused leave at the date of retirement or withdrawal. This implies that the rate of future unused accumulation is zero.
- For employees with more than one year’s past-service and less than 48 days of unused leave at the valuation date, a constant rate of future leave accumulation per annum was calculated as:
a) Unused leave days balance at valuation date} divided by {past-service at valuation date}
- For employees with less than one year’s past-service, the rate of future leave accumulation per annum was assumed as the average of the rates of accumulation
- For employees with more than one year’s past-service and zero or less than zero accumulated leave at the Valuation Date, the rate of future leave accumulation per annum is assumed to be zero. This implies that no long-term provision is made for these employees as they are expected to take their full complement of leave each year.

Current portion of leave expected to be taken
The amount of leave becoming due to each employee for the ensuing year is estimated to be the lesser of 24 days and the difference between the maximum (48 days) and their current balance of unused leave days.

Notes to the Financial Statements

Figures in Rand	2017	2016

16. Payables from exchange transactions

Trade payables	265 298 558	228 490 960
Retentions	45 272 129	43 950 602
Other payables	3 770 018	7 470 612
Greater Letaba municipality	55 099 215	35 643 638
Greater Tzaneen municipality	179 634 258	147 096 270
Maruleng municipality	23 422 304	22 637 207
Lepelle Northern Water	490 042 470	473 870 889
Greater Giyani Municipality	27 697 651	10 152 449
Department of Water and Sanitation	242 807 282	100 837 625
Total	**1 333 043 885**	**1 070 150 252**

The huge balance of payables pertains to inter municipality transactions with the local municipalities for which the district municipality has a service level agreement for the provision of water and sanitation to the locals.

GRAP 104 has been considered in the valuation of these payables.

17. Taxes and transfers payable (non-exchange)

Amounts payable to other members of economic entity	6 557 413	6 445 653

The amount of liabilities forgiven is R - (2016: R -).

18. Consumer deposits

Water	4 039 720	6 363 945

19. Revenue

Service charges	166 927 478	268 609 706
Interest on Outstanding Debtors	40 355 569	85 901 369
Other income	677 360	3 140 805
Interest received - investment	7 028 526	11 789 930
Government grants & subsidies	961 718 681	863 709 577
	1 176 707 614	**1 233 151 387**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	166 927 478	268 609 706
Interest on Outstanding Debtors	40 355 569	85 901 369
Other Income	677 360	3 140 805
Interest received - investment	7 028 526	11 789 930
	214 988 933	**369 441 810**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	961 718 681	863 709 577

Figures in Rand	2017	2016

20. Service charges

Sale of water	140 979 327	230 870 811
Sewerage and sanitation charges	25 948 151	37 738 895
	166 927 478	**268 609 706**

21. Other revenue

Interest on Outstanding Debtors	40 355 569	85 901 369
Other income	677 360	3 140 805
	41 032 929	**89 042 174**

22. Other income

Sundry Income	129 521	106 498
Insurance claims	95 914	79 392
Reconnection fees	64 502	2 244 560
Tender fees	387 423	630 153
Commission received	-	80 202
Total	**677 360**	**3 140 805**

23. Investment revenue

Interest revenue		
Bank	7 028 526	11 789 930
	-	-
	7 028 526	11 789 930

24. Grants and subsidies paid

Other subsidies		
Bursaries	863 815	2 193 310
Grants paid to LMs	-	-
Other subsidies	863 815	2 193 310
	863 815	**2 193 310**

Figures in Rand	2017	2016

25. Government grants and subsidies

Operating grants		
Equitable share grant	625 707 000	631 507 000
EPWP grant	1 943 000	1 630 000
Finance Management Grant (FMG)	1 460 000	1 325 000
LP - Health (EHP)	14 188 986	9 648 526
LGW SETA grant	569 248	219 370
Municipal system improvement grant (MSIG)	-	940 000
LP Econ (Biosphere) grant	200 000	151 667
Forensic audit grant	-	10 968 137
Total operating grants	644 068 234	656 389 700
Capital grants		
Municipal infrastructure grant (MIG)	208 500 000	205 237 456
WSIG	109 150 447	-
Rural transport grant	-	2 082 421
Total capital grants	317 650 447	207 319 877
Total operating and capital grants	**961 718 681**	**863 709 577**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	75 662 544	202 895 351
Current-year receipts	208 500 000	123 000 000
Conditions met - transferred to revenue	(208 500 000)	(59 930 823)
Repayment of unapproved roll over	(75 662 544)	(202 495 350)
Approved roll over 2014-2015	-	12 193 366
Total	**-**	**75 662 544**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to improve access to basic service infrastructure for poor communities.
The municipality made an overpayment of R11 364 592.85 in the 2016/17 financial year on MIG related projects. The overpayment is made up of the difference between the total payments made by the municipality amount to R219 864 592.85 and the MIG approved allocated of R208 500 000.

Finance management grant

Current-year receipts	1 460 000	1 325 000
Conditions met - transferred to revenue	(1 460 000)	(1 325 000)
Total	**-**	**-**

The purpose of the grant is to improve capacity in financial management.

Rural transport grant

Balance unspent at beginning of year	85 785	167 206

Figures in Rand	2017	2016

25. Government grants and subsidies (continued)

Current-year receipts	2 049 000	-
Conditions met - transferred to revenue	(85 785)	(81 421)
Total	**2 049 000**	**85 785**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

EHP Grant

Balance unspent at beginning of year	450 486	450 486
Current-year receipts	13 738 500	-
Conditions met - transferred to revenue	(14 188 986)	-
	-	**450 486**

The purpose of the grant is to ensure that transferred schemes are fully functional and operated by skilled personnel to ensure optimal service delivery by the WSA.

LP Econ (Biosphere)

Balance unspent at beginning of year	200 000	-
Conditions met - transferred to revenue	(200 000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

LP Health (EHP)

The purpose of the grant is to give access to water supply enabled through establishing regional bulk infrastructure.

Extended public works programme grant

Balance unspent at beginning of year	-	219 419
Current-year receipts	1 943 000	-
Conditions met - transferred to revenue	(1 943 000)	(219 419)
Total	**-**	**-**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to improve opportunities for sustainable employment due to experience and learning gained.

Water Service Infrastructure Grant

Current-year receipts	109 150 447	-
Conditions met - transferred to revenue	(109 012 894)	-
	137 553	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Employee related costs

Basic	187 883 382	171 878 427
Bonus	13 206 917	13 163 727
Medical aid - company contributions	10 344 503	9 027 098
UIF	1 382 570	1 403 642
Workman compensation	124 120	130 345
SDL	2 631 966	2 283 740
Other payroll levies	10 102 910	8 832 726
Post employments benefits	54 166	1 274 242
Defined contribution plans	26 181 390	24 893 881
Overtime payments	39 213 345	32 090 334
Long-service awards	658 441	625 790
Car allowance	17 930 831	15 867 462
Housing benefits and allowances	6 114 033	6 625 981
Leave redemption	5 254 088	8 879 217
Bargaining council	14 582	13 424
Cellphone allowance	39 308	50 470
Shift allowance	52 335	61 277
Total	**321 188 887**	**297 101 783**

Remuneration of municipal manager

Annual Remuneration	216 365	978 290
Car Allowance	111 901	642 093
Contributions to UIF, Medical and Pension Funds	38 289	517 319
Total	**366 555**	**2 137 702**

Remuneration of chief finance officer

Annual Remuneration	852 541	781 496
Car Allowance	176 895	154 000
Acting Allowance	131 935	-
Contributions to UIF, Medical and Pension Funds	63 569	42 987
Total	**1 224 940**	**978 483**

Remuneration of director community services

Annual Remuneration	855 409	794 025
Car Allowance	252 790	154 000
Acting Allowance	205 373	-
Contributions to UIF, Medical and Pension Funds	202 950	127 488
Total	**1 516 522**	**1 075 513**

Remuneration of director corporate services

Annual Remuneration	1 011 673	919 987
Car Allowance	223 785	155 833
Contributions to UIF, Medical and Pension Funds	63 569	-
Total	**1 299 027**	**1 075 820**

Remuneration of director planning and development

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Employee related costs (continued)

Annual Remuneration	161 667	819 768
Car Allowance	17 564	205 370
Contributions to UIF, Medical and Pension Funds	26 513	68 063
Total	**205 744**	**1 093 201**

Remuneration of director engineering services

Annual Remuneration	163 473	737 620
Car Allowance	40 000	205 370
Contributions to UIF, Medical and Pension Funds	28 246	60 138
Total	**231 719**	**1 003 128**

Remuneration of director water services

Annual Remuneration	754 374	653 138
Car Allowance	375 986	326 815
Contributions to UIF, Medical and Pension Funds	274 983	188 135
Cell	40 559	-
Total	**1 445 902**	**1 168 088**

Remuneration of director office of the executive Mayor

Annual Remuneration	600 629	578 280
Travel Allowance	200 210	208 931
Cell	22 851	20 868
Total	**823 690**	**808 079**

Executive Mayor's allowances

Annual Remuneration	600 629	578 280
Travel Allowance	200 210	208 931
Cell	22 851	20 868
Total	**823 690**	**808 079**

The Executive Mayor has been provided with a Council vehicle.

Speaker's allowances

Annual Remuneration	480 502	460 033
Travel Allowance	160 167	167 145
Cellphone Allowance	22 851	20 868
Total	**663 520**	**648 046**

Notes to the Financial Statements

Figures in Rand	2017	2016

26. Employee related costs (continued)

Ngoepe N.A

Annual Remuneration	-	174 088
Travel Allowance	-	265 840
Travel Claims	-	3 779
	-	**443 707**

The municipality received an in-kind service from COGHSTA from February 2015 - November 2015 in a form of an Acting Municipal Manager

Sekonya M.R

Annual Remuneration	-	126 389
Travel Allowance	-	292 008
Travel Claims	-	8 201
Total Paid	-	(426 598)
	-	**-**

The municipality received an in-kind service from COGHSTA from December 2015 - May 2016 in a form of an Acting Municipal Manager.

Notes to the Financial Statements

Figures in Rand	2017	2016

27. Remuneration of Councillors

Councillors' remuneration and allowances	11 934 680	12 395 761

Remuneration per councillor - 2016	Salary	Cellphone Allowance	Travel Allowance	Total
Councillor Rakgoale C.N	578 280	20 868	208 931	808 079
Councillor Sedibeni D.W	460 033	20 868	194 264	675 165
Councillor Mushwana O.J	482 638	20 868	259 810	763 316
Councillor Mashatola M.Q	49 154	5 217	16 385	70 756
Councillor Mathonsi N.V	78 832	10 434	55 676	144 942
Councillor Lewele M	165 571	20 868	158 559	344 998
Councillor Machethe L.N	178 531	20 868	72 925	272 324
Councillor Nkuna C.	245 481	20 868	86 290	352 639
Councillor Ramaremela T.P	433 368	20 868	250 540	704 776
Councillor Moshobane S.H	446 328	20 868	229 873	697 069
Councillor Hlatshwayo C	274 174	20 868	130 179	425 221
Councillor Maloko M.L	165 571	20 868	73 894	260 333
Councillor Ngobeni A	199 398	20 868	62 756	283 022
Councillor Nkanyani R.P	446 328	20 868	183 349	650 545
Councillor Mabasa H	178 531	20 868	97 096	296 495
Councillor Rakganya M.P	178 531	20 868	99 311	298 710
Councillor Monyela K.J	199 398	20 868	69 888	290 154
Councillor Mokoele S.G	178 531	20 868	66 058	265 457
Councillor Cronje P.W	178 531	20 868	62 756	262 155
Councillor Mabunda M.A	178 531	20 868	62 756	262 155
Councillor Makhubele M	35 450	-	28 218	63 668
Councillor Moshwana T.J	35 450	-	63 996	99 446
Councillor Rikhotso Q	35 450	-	38 336	73 786
Councillor Mushwana D.G	26 770	-	8 381	35 151
Councillor Mohale N.L	29 167	-	41 367	70 534
Councillor Ndove L	446 328	20 868	210 334	677 530
Councillor Mbhalati H.S	29 167	-	45 214	74 381
Councillor Sibiya M	274 174	20 868	190 718	485 760
Councillor Mokgobi M.L	29 167	-	73 572	102 739
Councillor Makwala C	29 167	-	9 180	38 347
Councillor Mafona M.E	35 450	-	21 286	56 736
Councillor Selowa M.G	35 450	-	54 973	90 423
Councillor Senyolo T.J	35 450	-	11 157	46 607
Councillor Mamogale M.C	29 167	-	22 464	51 631
Councillor Flemming G.J	2 748	-	916	3 664
Councillor Malesa G	35 450	-	11 157	46 607
Councillor Makwala O	35 450	-	43 517	78 967
Councillor Mashele J.G	35 450	-	51 095	86 545
Councillor Mametja M.R	498 497	20 868	222 682	742 047
Councillor Makhurupetji Malatji M.N	446 328	20 868	201 000	668 196
Councillor Mohlala F	178 531	20 868	69 208	268 607
Councillor Mabale S.P	35 450	-	28 221	63 671
Councillor Mantlhaka A.M	35 450	-	42 520	77 970
Councillor Mashele MB	29 167	-	13 112	42 279
Councillor Mokgolobotho M.J	22 384	-	12 771	35 155
Councillor Mathebula M.V	27 206	-	19 303	46 509
Councillor Manganyi T.C	27 206	-	22 090	49 296
Councilor Fuela H	27 206	-	14 771	41 977
Councillor Mbhalati M.F	22 384	-	26 837	49 221
	7 860 454	**495 615**	**4 039 692**	**12 395 761**

Notes to the Financial Statements

Figures in Rand	2017	2016

27. Remuneration of Councillors (continued)

Remuneration per councillor - 2017	Salary	Cellphone Allowance	Travel Allowance	Advance/Back pay	Total
Councillor Rakgoale C.N	600 629	22 851	200 210	-	823 690
Councillor Sedibene W.D	480 502	22 851	160 167	-	663 520
Councillor Maswanganyi N.M	368 935	19 373	122 978	53 989	565 275
Councillor Mohale M.C	368 935	17 873	129 999	53 989	570 796
Councillor Sefufi M.H	220 382	17 873	133 047	53 989	425 291
Councillor Maloko M.L	220 382	17 873	136 613	53 989	428 857
Councillor Mathonsi E.J	368 935	17 873	129 500	53 989	570 297
Councillor Maswanganyi M.O	220 382	17 873	137 652	53 989	429 896
Councillor Mokgobi M.L	220 382	17 873	-	53 989	292 244
Councillor Councillor Baloyi N.N	352 429	17 873	129 999	37 740	538 041
Councillor Zandamela N.H	220 382	17 873	143 194	23 751	405 200
Councillor Sono N.A	352 429	17 873	125 400	24 268	519 970
Councillor Modjadji G.H	75 263	17 873	136 174	304 970	534 280
Councillor Malepe K.J	203 954	17 873	98 920	46 007	366 754
Councillor Malatji P.T	203 954	17 873	72 165	46 007	339 999
Councillor Nkuna S.J	203 954	17 873	107 656	46 007	375 490
Councillor Helm M.A	165 472	17 873	34 597	39 886	257 828
Councillor Nyakane M.R	165 472	17 873	34 597	39 886	257 828
Councillor Mathevula B.T	44 482	5 217	27 881	36 723	114 303
Councillor Ramathoka C.M	165 472	17 873	60 079	39 886	283 310
Councillor Chauke M.R	165 472	17 873	42 148	39 886	265 379
Councillor Mashatola M.Q	21 677	2 301	9 592	2 367	35 937
Councillor Mashele J.G	209 780	-	50 584	43 094	303 458
Councillor Maluleke G.A	203 954	17 873	59 865	46 007	327 699
Councillor Moroatshehla	203 954	17 873	75 945	46 007	343 779
Councillor Maake M.D	203 954	17 873	103 468	46 007	371 302
Councillor Nkhwashu M.C	25 974	-	14 770	2 397	43 141
Councillor Rapatsa K.I	29 822	-	19 936	2 397	52 155
Councillor Mahasha N.M	25 974	-	27 763	2 397	56 134
Councillor Malemela D	23 088	-	47 827	2 397	73 312
Councillor Shisinga C.T	16 354	-	19 856	2 397	38 607
Councillor Pohl R.E	16 354	-	12 610	2 397	31 361
Councillor Makwala M.M	22 126	-	37 316	2 397	61 839
Councillor Makwala S.C	16 354	-	33 447	2 397	52 198
Councillor Malatji G.M	25 974	-	34 737	2 397	63 108
Councillor Madike M.F	7 383	-	32 484	3 175	43 042
Councillor Mathaba M.A	44 954	-	7 914	18 199	71 067
Councillor Popela M.D	7 383	-	23 224	6 088	36 695
Councillor Makasela R	7 383	-	43 284	6 088	56 755
Councillor Mathebula M.M.A	7 383	-	43 240	6 088	56 711
Councillor Ramothwala B	7 383	-	55 478	6 088	68 949
Councillor Mthombeni T.N	7 383	-	45 746	6 088	59 217
Councillor Valoyi XJ	7 383	-	29 754	6 088	43 225
Councillor Shimange F.M.I	44 954	-	78 751	10 827	134 532
Councillor Zitha T.C	7 383	-	30 863	6 088	44 334
Councillor Makhubela T	7 383	-	21 676	6 088	35 147
Councillor Manganye S.V	7 383	-	10 545	6 088	24 016
Councillor Maenetsa M.B	7 383	-	20 454	5 056	32 893
Councillor Maake M.R	7 383	-	21 750	6 088	35 221
Councillor Mangoro M.V	7 383	-	36 435	6 088	49 906
Councillor Manyama M.F	44 954	-	44 940	18 199	108 093
Councillor Mathedimosa M.B	7 383	-	52 736	6 088	66 207
Councillor Senyolo T.J	7 383	-	3 802	4 206	15 391
Councillor Sekgopo M.J	28 760	-	28 308	3 933	61 001
	6 707 905	**430 053**	**3 342 076**	**1 444 646**	**11 924 680**

Notes to the Financial Statements

Figures in Rand	2017	2016

28. Depreciation and amortisation

Property, plant and equipment	170 770 753	175 275 679
Intangible assets	980 617	-
	171 751 370	**175 275 679**

29. Finance costs

Interest Paid	214 110	1 843 130

30. Debt impairment

Debt impairment	56 580 736	4 045 577

31. Bulk purchases

Water	298 587 131	327 068 975

32. Contracted services

Information Technology Services	38 184 902	6 394 178
Fleet Services	-	3 894 315
Operating Leases	2 841 230	3 428 049
Specialist Services	6 742 362	6 701 124
Other Contractors	14 781 318	12 513 054
	62 549 812	**32 930 720**

Notes to the Financial Statements

Figures in Rand	2017	2016

33. General expenses

Advertising	878 714	598 608
Bank charges	142 436	217 882
Consulting and professional fees	43 152 533	51 785 190
Entertainment	4 305	-
Insurance	424 373	5 020 913
Conferences and seminars	548 713	375 978
Development of Road Master Plan	-	1 948 807
Motor vehicle expenses	104 364	144 296
Fuel and oil	5 787 886	4 547 288
Postage and courier	4 261	59 798
Training Programme	1 135 632	4 494 021
Protective clothing	149 868	75 510
Water and electricity	650 845	2 991 801
Software expenses	48 509	1 258 786
Subscriptions and membership fees	376 727	308 171
Telephone and fax	2 718 345	3 058 637
Subsistence and Travelling	15 811 979	8 948 154
Electricity	9 567	-
Catering	-	13 420
Audit Committee Allowance	2 760 107	1 743 695
Disaster Relief Fund	209 400	935 095
Imbizo	2 344 025	2 335 285
Forensic Audit	856 168	4 854 013
MWIG - Projects	-	128 260
Performance Management	452 330	936 695
Stores and Material	9 921 821	4 682 606
Chemicals	7 182 553	6 760 713
Other expenses	20 530 204	9 784 252
Impairment loss	-	54 940 945
	116 205 665	**172 948 819**

34. Auditors' remuneration

Fees	3 890 681	4 255 713

35. Cash generated from operations

Surplus	45 973 360	79 830 048
Adjustments for:		
Depreciation and amortisation	171 751 370	175 275 679
Gain on sale of assets and liabilities	-	1 125 366
Debt impairment	56 580 736	4 045 577
Movements in operating lease assets and accruals	276 778	11 695 215
Movements in provisions	5 321 802	15 221 412
Water and sanitation transactions	(47 296 644)	(527 911 688)
Changes in working capital:		
Inventories	40 386 188	(37 199 295)
Receivables from exchange transactions	(52 473 085)	79 013 219
Consumer debtors	(9 153 433)	142 482 678
Payables from exchange transactions	262 893 633	138 992 431
VAT	12 369 817	(26 310 804)
Taxes and transfers payable (non exchange)	111 760	655 766
Unspent conditional grants and receipts	(74 212 262)	11 163 472
Consumer deposits	(2 324 225)	3 627
	410 205 795	**68 082 703**

Notes to the Financial Statements

Figures in Rand	2017	2016

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for (Capital)		
• Property, plant and equipment	371 312 018	164 810 027
Already contracted for but not provided for (operational)		
• Purchase Orders	12 765 281	15 343 241
Total commitments		
Capital Commitments	371 312 018	164 810 027
Operational Commitments	12 765 281	15 343 241
	384 077 299	**180 153 268**

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

Notes to the Financial Statements

Figures in Rand	2017	2016

37. Contingent liabilities

Plaintiff/ Mopani District Municipality
The matter involves a service provider who did not honour his obligation to the supplier of materials in terms of a cession agreement. The plaintiff sued MDM and the contractor for dishonouring the agreement.
The claim against the municipality amounts to 882 360.

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM for the injury she sustained allegertly at a MDM sewage manhole in Modjadjiskloof.
The claim against the municipality amounts to 2 000 000.00.

Plaintiff/ Pastor Mafumo & MDM
The plaintiff is suing the MDM as a result of motor vehicle collision involving the MDM employee.
The claim against the municipality is amounts to 23 262.61

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM as a result of motor vehicle collision involving an MDM employee.
The claim agaist the municipality amounts to 150 000.00.

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for awarding the tender to a JV which was not qualifying. JV grading was 8 and the tender was for a grade 9 company. The case is pending.
The claim against the municipality amounts to 10 000 000.00

Plaintiff / Mopani District Municipality
The plaintiff is suing MDM for cancelling the contract to build and office building in Tzaneen disaster center.The case is pending. The claim against the municipality amounts to 1 900 000

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM for failure to prevent a veld fire.
The claim against the municipality amounts to 5 000 000

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM for failing to honour its financial obligations cession.
The claim against the municipality amount to 2 000 000.

Plaintiff / Mopani District Municipality
The matter involves an interdict: Stopping the implementation of the Kampersrus Sewer reticulation line Phase 2.
municipality amounts to R36 000 000.

Plaintiff / Mopani District Municipality
The plaintiff has issued simple summonses for services rendered as a sub contractor at Nandoni pipeline project.
The claim against the municipality amounts to 939 641.11.

Plaintiff / Mopani District Municipality
The plaintiff is claiming money as per the cession agreement.
The claim against the municipality amounts to 2 200 000.00

Plaintiff / Mopani District Municipality
The plaintif is suing MDM for services rendered in respect of the installation of boreholes and transformers in Giyani area.
The claim against the municipality amounts to 413 900.

Plaintiff**/ Mopani District Municipality**
The plaintiff is suing the MDM for been involved in a motor vehicle accident with an employee of the MDM. The plaintiff alleges that the accident was solely caused by the negligence of the MDM.
The claim against the municipality is 150 000.

Plaintiff / Mopani District Municipality
The plaintiff is claiming money for the services rendered under a sub-contract agreement during the construction of the Nandoni pipeline. The claim against the municipality amounts to 1 407 656.04.

Figures in Rand	2017	2016

37. Contingent liabilities (continued)

Plaintiff / Mopani District Municipality.
The plaintiff is suing MDM for failing to pay th ewater use charges as a water use licence holder. In terms of the law the MDM must pay the water use charges as a holder of the licence.
The claim agaist the municipality amounts to 175 645 917.12.

Plaintiff / Mopani District Municipality
The plaintiff is suing the MDM for failing to hounor its financial obligations. Limpopo Water Initiative is runnning a plant in Ba-Phalaborwa under a service level Agreement with the municipality.
The claim against the municipality amounts to 54 000 000.

Plaintiff/ Mopani District Municipality
The plaintiff served the municipality with a letter of demand for an amount of R11 499 509.87 on the Namakgale Sewage Works DM/2010/001. discussions held on the 1st June 2017with the contractor and Engineering to resolve the matter.

Plaintiff/ Mopani District Municipality
A claim is based o na cession between Tainama jv Civico on the Tours Bulk Water supply project.
The claim against the municipality amounts to 963 647.33

Plaintiff/Mopani District Municipality
The contractor is sueing the MDM for cancellation of the contract to build an office building at the disaster management centre based in Tzaneen. The claim by the contractor is R14 140 976.84.

Contingent assets

MDM/Kgafela Construction
The municipality is suing the contractor and the contractor is sueing the MDM for cancellation of the contract to build an office building at the disaster management centre based in Tzaneen. The claim by the municipality is R30 000 000.
MDM/Endecon Ubuntu
The MDM has launched an application to review and set aside its own decision to appoint the service provider. The service provider was appointed to render consultancy services at Extensions of Modjadjiskloof water works in Greater Letaba Municipality MDM want to declare this appointment null and void, Unconstitutional and Invalid. The claim amount for 650 000
MDM/Came A lot Trading
The MDM is sueing the servce provider for fraudulently claiming money which was not due to them. The company was appoited to build 150 units of VIP toilets. The company only built 15 out of that number and claimed the entire payment. The MDM is now suing the company for the misrepresentation done. The claim is for 1 080 000.00

38. Related parties

Relationships

Accounting Officer	Refer to disclosure note on remuneration of senior management
Members of Key Management	Refer Refer to disclosure note on remuneration of senior management
Remuneration of Councillors	Refer to disclosure note on remuneration of Councillors

39. Prior period errors

1. MDM had overstated bonus provision amounts on the AFS which does not agree to the amount on the schedule by R32 073.
2. MDM had overstated Leave provision amount on the AFS which does not agree to the amount on the schedule by R5 000.
3. MDM had overstated Long service award amount on the AFS which does not agree the amount on the schedule by R223 464.
4. MDM had misstated an amount of R1 061 084.08 which was disclosed in the financial statements as lease liability but however relates to leases that ended in the current financial year.

5. A payment for rental of printing machines to Pan Solution of R54 562 for expenditure and R7 639 for VAT was incorrectly recorded in the GL as R5 457 for expenditure and R764 for VAT.

6. Water bulk purchases expenditure was understated. The municipality only included expenditure but did not account for amounts accrued.

10. MDM has overstated an amount on interest received on account 405-277-1364 as per general ledger which did not agree to the bank confirmation.

11. MDM has overstated an amount on interest received on account 408-091-1671 as per general ledger which did not agree to the bank confirmation.

12. MDM has overstated an amount on interest received on account 408-091-1613 as per general ledger which did not agree to the bank confirmation.

13. MDM used standard rates supplier declared are based on cash collected for water and sanitation services

14. An usubstantiated consumables balance of R1 364 867 was included in the records of MDM, resulting in overstatement of assets and accumulated surplus by R1 364 867 from GGM records.

15. The 2016 Greater Giyani Municipality Agency fee of R285 422 was not accounted for in the books of MDM, resulting in understatement of the agency fee expense and liability by R285 422.

16. MDM did not account for unspent grant on LP Econ grant amounting to R200 000.00

17. MDM had wrongly disclosed contigent liabilities amouting to R57 385 000 in the financial statements.

18. MDM had overstated commitments amounting to R428 598 922 instead of R164 810 922. The correction was done in the current year.

19. MDM has overstated related parties recorded as R23 671 070 instead of R24 538 915. The correction was done in the prior year.

20. MDM has incorrectly recorded an amount of R34 148 607 as revenue and R22 532 576 as expenditure for the mametja sekororo projects which it was only appointed as implementing agent.

21. MDM did not provide for the environmental rehabilitation of a new landfill site as required by GRAP 19.

22. MDM had incorrectly accounted for distribution losses and the records did not permit the application of alternative audit procedures.

23. MDM Did not provide explainations for the material differences between budget and actual amounts as required by GRAP 24.

24. MDM did not assess consumer debtors for impairment individually for significant financial assets or collectively for insignificant financial assets in accordance with SA standards of GRAP 104.

25. Infrastructure additions for the prior year were overstated by R15 749 058. The error was corrected retrospectively.

39. Prior period errors (continued)

26. MDM had incorrectly accounted for opening balance on the retention account amounting to R40 870 764 the correction has been made in the prior year.

27. MDM did not account for commitments on purchase orders amounting to R15 343 241 in the prior year. The error was corrected in the current financial year.

28. MDM incorrectly accounted for Ba - Phalaborwa debt on lepelle as a receivable at an amount of R150 727 898.79. The correction was made in the prior year.

29. MDM did not account for Landfill site on its assets amouting to R11 424 836 and accumulated depreciation of R878 834.00. The correction was made in the prior year.

30. MDM incorrectly accounted for a receivable amount of R3 179 582 on the nkambako project. The correction was made in the prior year.

31. MDM did not account for movement of R73 969 on the staff debtors in the prior year AFS. The correction was made in the prior year.

32. The prior year Greater Giyani Municipality water and sewer debtors balances were recorded without interest on debtors to the amount of R35 085 880, resulting in understatement of debtors.

Notes to the Financial Statements

Figures in Rand

39. Prior period errors (continued)

Statement of financial position		
Increase in inventories	-	31 489 799
Decrease in receivables	-	(12 972 648)
Decrease in VAT receivable	-	(14 867 420)
Decrease in Consumer Debtors	-	(328 910 005)
Decrease in Propery, Plant and Equipment	-	(60 231 783)
Increase in Provision on landfill Site	-	11 695 215
Decrease in finance lease obligation	-	(1 061 084)
Decrease in Payables from exchange transactions	-	(98 872 497)
Increase in Unspent Conditional Grants	-	200 000
Increase in Provision	-	5 000
Decrease in Bonus Provision	-	(32 073)
	-	-
	-	-
Adjustment affecting the Statement of Financial Perfomance		
	-	-
Decrease in Government Grants	-	(34 348 607)
Decrease in Employee Costs	-	27 073
Decrease in Regional Bulk Infrastructure Project Expenditure	-	22 532 576
Increase in Depreciation and Amortisation	-	(878 834)
Increase in Debt impairment	-	(363 995 885)
Increase in Repairs and Maintanance	-	(15 749 058)
Increase in Contracted Service	-	(285 432)
Increase in General Expenses	-	(49 105)
Increase in Impairment loss	-	(54 940 945)
	-	-
Net Increase/Decrease in accumulated surplus	**-**	**921 245 713**

Statement of Financial Position as at 30 June 2016	Balance as previously reported	Prior Period Error	Reclassified (note 37)	Restated balance
Assets				
Current Assets				
Inventories	23 653 321	31 489 799	-	55 143 120
Receivables from exchange transactions	158 452 962	(12 972 648)	-	145 480 314
VAT receivable	146 774 293	(14 867 420)	-	131 906 873
Consumer Debtors	552 632 276	(328 910 005)	-	223 722 271
Cash and Cash equivalents	109 357 699	-	-	109 357 699
Total Current Assets	**990 870 551**	**(325 260 274)**	**-**	**665 610 277**
Non-current Assets				
Property, plant and equipment	4 707 900 330	(60 231 783)	-	4 647 668 547
Intangible assets	9 100 009	-	-	9 100 009
Heritage Assets	432 000	-	-	432 000
Non current asset held for sale	15 504	-	-	15 504
Total Non Current Assets	**4 717 447 843**	**(60 231 783)**	**-**	**4 657 216 060**
Liabilities				
Current liabilities				
Provision on landfill Site - MLM	-	11 695 215	-	11 695 215
Finance lease obligation	1 061 084	(1 061 084)	-	-
Payables from exchange transactions	1 169 022 749	(98 872 497)	-	1 070 150 252
Consumer deposits	6 363 944	-	-	6 363 944

39. Prior period errors (continued)

Unspent conditional grants and receipts	76 198 815	200 000	-	76 398 815
Provision	41 311 061	5 000	-	41 316 061
Bonus Provision	6 477 726	(32 073)	-	6 445 653
Total current liabilities	**1 300 435 379**	**(88 065 439)**	**-**	**1 212 369 940**
Non current liabilities				
Provisions	78 699 729	-	-	78 699 729
Net assets				
Net Assets	4 342 821 980	(311 065 310)	-	4 031 756 670
Accumulated Surplus	4 342 821 980	(311 065 310)	-	4 031 756 670
	-	**-**	**-**	**-**

Statement of Financial Performance for the year ended 30 June 2015	Balance as previously reported	Prior period error	Reclassified (Note 37)	Total
Revenue				
Service charges	268 609 706	-	-	268 609 706
Interest earned-outstanding receivables	85 901 369	-	-	85 901 369
Other income	3 140 805	-	-	3 140 805
Interest received	11 789 930	-	-	11 789 930
Government grants and subsidies	898 058 184	(34 348 607)	-	863 709 577
Total revenue	**1 267 499 994**	**(34 348 607)**	**-**	**1 233 151 387**
Expenditure				
Employee Costs	(297 128 856)	27 073	-	(297 101 783)
Remuneration of Councillors	(12 395 761)	-	-	(12 395 761)
Regional Bulk Infrastructure Projects Expenditure	(22 532 576)	22 532 576	-	-
Mopani Household Sanitation	(319 911)	-	-	(319 911)
Depreciation and amortisation	(174 396 845)	(878 834)	-	(175 275 679)
Auditors Remuneration	(4 255 713)	-	-	(4 255 713)
Finance Costs	(1 843 130)	-	-	(1 843 130)
Debt Impairment	359 950 308	(363 995 885)	-	(4 045 577)
Repairs and Maintenance	(106 067 537)	(15 749 058)	-	(121 816 595)
Bulk Purchases	(327 068 975)	-	-	(327 068 975)
Contracted services	(32 645 288)	(285 432)	-	(32 930 720)
Grants and Subsidies paid	(2 193 310)	-	-	(2 193 310)
General Expenses	(117 958 697)	(49 105)	-	(118 007 874)
Impairment loss	-	(54 940 945)	-	(54 940 945)
Total expenditure	**(738 856 291)**	**(413 339 610)**	**-**	**(1 152 195 973)**
Operating surplus/(deficit)	528 643 703	(447 688 289)	-	80 955 414
Loss on disposal of assets and liabilties	(1 125 366)	-	-	(1 125 366)
	527 518 337	**(447 688 289)**	**-**	**79 830 048**

Prior year adjustements on appropriation account

Accumulated Surplus			-	(87 990 671)

39. Prior period errors (continued)

Cash flow statement

Cash Flow from Operating Activities			Prior Period Error		
Receipts		-	-	-	-
Grants		898 072 537	-	-	898 072 537
Interest Income		11 789 930	-	-	11 789 930
Other receipts		903 520	-	-	896 244
Total Receipts		**910 765 987**	**-**	**-**	**910 758 711**
Payments					
Employee Costs	-	(270 725 348)	29 857 142	-	(240 868 206)
Suppliers	-	(371 508 586)	(228 456 086)	-	(599 964 672)
Interest Paid	-	(1 843 130)	-	-	(1 843 130)
Total Payments	**-**	**(644 077 064)**	**(198 598 944)**	**-**	**(842 676 008)**
Heading					**Total**
Total Receipts	-	910 765 987	-	-	910 765 987
Total Payments	-	(644 077 064)	(198 598 944)	-	(842 676 008)
Ne cash flows form operating activities	**-**	**266 688 923**	**(198 598 944)**	**-**	**68 089 979**
Cash flows form investing activities					**Total**
Purchasing of property, plant and equipment	-	(271 171 542)	198 606 220	-	(72 565 322)
Purchasing of intangible assets	-	(480 000)	-	-	(480 000)
Net cash flows from investing activities	**-**	**(271 651 542)**	**198 606 220**	**-**	**(73 045 322)**
Cash flow from financing activities	**Column heading**	**Column heading**	**Column heading**	**Column heading**	**Total**
Finance lease payments	-	(6 474)	-	-	(6 474)
					Total
Net increase in cash and cash equivalents	-	(4 969 093)	-	-	(4 969 093)
Cash and cash equivalents at the beginning of the year	-	114 326 792	-	-	114 326 792
Cash and cash equivalents at the end of the year	**-**	**109 357 699**	**-**	**-**	**109 357 699**

40. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

As at 30 June 2017, the muncipality's current liabilities exceeds current assets by R886 339 820.00

The following are main factors that might have led to the above:-

The municipality is experiencing challenges of collecting own revenue from water and sanitation. This is due to weakness in controls involving management of revenue at the local municipalities since the latter are service providers and the district is the service authority.
The municipality is service significant historic obligations that do not necessarily have source of funding other than the funding from National Treasury. These obligations include Lepelle Northern Water estimated at R500 million, Department of Water Affairs estimated at R250 million, as well as litigations and claims that come on an ad hoc and surprise basis. These litigations and claims can easily cost the municipality over R100 million per annum.
There is a need to relook into the municipality's obligations against its resources as the situation currently is not sustainable.
The municipality invests a significant amount of resources in the water and sanitation infrastructure with little if any return. This is as the municipality spend a full calendar year without a cent being received from water and sanitation consumers.
It is extremely difficult to effectively monitor the cash flow of the municipality because a lot of payments are historic and come on surprise bases. These payments come in various form including, historic underpayment of employees, historic claims of contractors, historic legal fees, unpredictable and excessive overtime payments from essential services sections, etc.
More often than not, MIG funding transfer for committed projects from National Treasury are delayed putting more pressure on the liquidity of the municipality.

Even though the current liabilities exceed the current assets the municipality is a going concern because of the following reasons:

a)There is a guaranteed funding from National Treasury in a form of equitable shares;
b) There is no change in the legislation that impact on the municipality's ability to continue as a going concern;
c) There is plans to ensure that there is effective spending of funds.

41. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

42. Unauthorised expenditure

Opening Balance	159 154 582	157 216 544
Unathorised expenditure - Current Year	39 836 733	1 038 038
MIG grant used under forensic audit	-	900 000
Unauthorised expenditure awaiting condonement	**198 991 315**	**159 154 582**

The unauthorised expenditure relates to the over - expenditure on votes.

43. Fruitless and wasteful expenditure

Opening Balance	165 834 771	165 715 645
Fruitless and Wasteful expenditure - Current Year	181 207	119 126
	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**166 015 978**	**165 834 771**

The fruitless and wasteful expenditure relates to interest charged on Eskom account amounting to R14 668.84.

44. Irregular expenditure

Opening balance	169 214 083	159 154 582
Irregular Expenditure - current year	17 118 438	10 059 501
Irregular Expenditure awaiting condonement	**186 332 521**	**169 214 083**

Included in the current year irregular are the following:- Extension of contract on water service vehilces amounting to 6 319 201.05, extension of contract for security service amounting to 10 246 779.62, extension of contract for VAT reconciliations amounting to 217 598.64 and extension of contract for telephone system 334 858.96.

45. Additional disclosure in terms of Municipal Finance Management Act

Distribution Losses

Sales (kl) Total	103 561 681	6 364 121
Purchases (Kl) Total	50 785 366	4 253 669
Percentage water losses at the plants (%)	**66**	**20**

Mopani District Municipality (MDM) as a Water Service Authority (WSA) has service level agreements with its five Local Municipalities, the Local Municpalities distribute water to the consumers on its behalf above are the distribution losses incurred.

The distribution loss percentage is high because it also includes the following elements that comprise non-revenue water:- i
1. Unathorised Consumption
2. Overflows from water storage
3. Unbilled metered consupmtion

PAYE and UIF

Current year subscription / fee	40 000 000	39 472 279
Amount paid - current year	(47 888 000)	(36 157 344)
Amount Arrears	7 888 000	(3 314 935)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	9 596 000	8 935 814
Amount paid - current year	(36 450 000)	(33 360 728)
	(26 854 000)	**(24 424 914)**

VAT

VAT receivable	119 537 056	131 906 873

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

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

46. Deviation from supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the quarter amounted to **R4 328 185.75 (2016: R4 283 332.37)** which has been tabled to council for noting in terms of Section 36(2)**.**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements
Major deviations related to emergency procurement of borehole spares and pipes in order to avoid interuption of essential service (Water Supply).

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

47. Budget differences

Material differences between budget and actual amounts

There were material differences between the final budget and the actual amounts. The reasons were explained under the statement of comparison budget and actual amounts.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 2016/06/01 to 2017/07/31. The financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Explanations on diffference

1. Transfers recognised - Repayment of unapproved rollover in the 2015-16 financial year (8.58)
2. Employee Costs - High Vacant positions (196.45)
3. Remuneration of councillors - Insurance for councillors not paid (178.02)
4. Contracted service - Under budgeting for VAT consultants (269.62)
5. Transfer recognised Capital - Re gazette of MIG from R288mil to R208mil (20.60)