INXUBA YETHEMBA LOCAL MUNICIPALITY
(Registration number EC131)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

General Information

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

Index

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

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SARS	South African Revenue Service
VAT	Value-Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages ____ to ____, which have been prepared on the going concern basis, were approved by the accounting officer on 06 November 2018 and were signed on its behalf by:

____

Mr XW Msweli
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality operates in South Africa.

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

Net deficit of the municipality was R 46 912 704 (2017: deficit R 63 597 975)).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 1 177 192 063 and that the municipality's current liabilities exceed its current assets by R 92 246 624.

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

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

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

5. Accounting policies

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

Statement of Financial Position as at 30 June 2018

	Notes	2018 R	2017 Restated* R
Assets			
Current Assets			
Inventories	3	565 207	463 714
Receivables from exchange transactions	4	2 060 682	2 288 084
Receivables from non-exchange transactions	5	11 923 888	6 994 287
Consumer debtors	6	20 052 342	26 562 647
VAT receivable	7	902 872	-
Cash and cash equivalents	8	1 850 355	2 123 273
		37 355 346	**38 432 005**
Non-Current Assets			
Investment property	9	39 520 000	39 160 000
Heritage assets	10	2 225 000	2 225 000
Property, plant and equipment	11	1 289 750 282	1 316 761 657
		1 331 495 282	**1 358 146 657**
Total Assets		**1 368 850 628**	**1 396 578 662**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	122 746 407	84 121 499
Payables from non-exchange transactions	13	3 752 433	1 361 067
VAT payable	7	-	6 142 704
Consumer deposits	14	1 403 105	1 324 396
Unspent conditional grants and receipts	15	1 700 025	10 774 576
		129 601 970	**103 724 242**
Non-Current Liabilities			
Provisions	16	23 869 595	23 071 653
Employee benefit obligation	17	38 187 000	45 678 000
		62 056 595	**68 749 653**
Total Liabilities		**191 658 565**	**172 473 895**
Net Assets		**1 177 192 063**	**1 224 104 767**
Accumulated surplus		1 177 192 063	1 224 104 767
Total Net Assets		**1 177 192 063**	**1 224 104 767**
Total Net Assets and Liabilities		**1 368 850 628**	**1 396 578 662**

* See Note 52

Statement of Financial Performance

	Notes	2018 R	2017 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	110 015 607	104 896 063
Rental of facilities and equipment	19	2 289 988	1 901 137
Agency services	20	4 553 386	3 105 430
Interest received	21	12 960 345	9 385 544
Gain on disposal of assets and liabilities	22	299 218	-
Fair value adjustments	23	360 000	2 109 000
Sundry fees and income	24	6 439 623	1 384 428
Actuarial gains	25	12 618 792	1 291 087
Total revenue from exchange transactions		**149 536 959**	**124 072 689**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	40 299 750	36 414 732
Transfer revenue			
Government grants & subsidies	27	77 523 693	77 247 985
Fines	28	232 258	279 428
Total revenue from non-exchange transactions		**118 055 701**	**113 942 145**
Total revenue	29	**267 592 660**	**238 014 834**
Expenditure			
Employee related costs	30	(81 964 835)	(75 852 514)
Remuneration of councillors	31	(7 925 957)	(6 828 354)
Depreciation and amortisation	32	(62 661 345)	(62 066 506)
Impairment loss	33	(2 432 503)	(19 448 919)
Finance costs	34	(14 403 863)	(13 392 530)
Lease rentals on operating lease	35	(1 277 566)	(1 129 507)
Bad debts written off	36	(12 938 815)	-
Repairs and maintenance	37	(4 639 178)	(4 307 747)
Bulk purchases	38	(64 444 219)	(61 485 424)
Contracted services	39	(18 541 437)	(6 816 951)
Loss on disposal of assets and liabilities	22	-	(5 175 947)
General Expenses	40	(43 275 646)	(45 108 410)
Total expenditure		**(314 505 364)**	**(301 612 809)**
Deficit for the year		**(46 912 704)**	**(63 597 975)**

* See Note 52

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 294 593 512	1 294 593 512
Adjustments		
Correction of errors	(6 890 770)	(6 890 770)
Restated balance at 01 July 2016 (*)	**1 287 702 742**	**1 287 702 742**
Changes in net assets		
Deficit for the year	(63 597 975)	(63 597 975)
Total changes	(63 597 975)	(63 597 975)
Restated balance at 30 June 2017 (*)	**1 224 104 767**	**1 224 104 767**
Changes in net assets		
Deficit for the year	(46 912 704)	(46 912 704)
Total changes	(46 912 704)	(46 912 704)
Balance at 30 June 2018	**1 177 192 063**	**1 177 192 063**

* See Note 52

Cash Flow Statement

	Notes	2018 R	2017 Restated* R
Cash flows from operating activities			
Receipts			
Property rates and grants		99 536 706	111 825 856
Sale of goods and services		110 325 806	80 720 397
Interest revenue		12 960 345	9 385 544
Other receipts		12 603 579	5 042 468
		235 426 436	206 974 265
Payments			
Employee costs		(81 154 844)	(82 532 943)
Finance costs		(7 789 800)	(7 272 797)
Payments to suppliers		(111 403 956)	(92 953 338)
		(200 348 600)	(182 759 078)
Net cash flows from operating activities	41	**35 077 836**	**24 215 187**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(35 707 696)	(25 582 151)
Proceeds from sale of property, plant and equipment	11	356 942	528 552
Net cash flows from investing activities		**(35 350 754)**	**(25 053 599)**
Cash flows from financing activities			
Finance lease payments		-	(189 346)
Net increase/(decrease) in cash and cash equivalents		**(272 918)**	**(1 027 758)**
Cash and cash equivalents at the beginning of the year		2 123 273	3 151 031
Cash and cash equivalents at the end of the year	8	**1 850 355**	**2 123 273**

* See Note 52

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	188 082 037	(56 082 037)	**132 000 000**	110 015 607	**(21 984 393)**	N1
Rental of facilities and equipment	2 669 965	-	**2 669 965**	2 289 988	**(379 977)**	Ins
Agency services	6 477 034	(1 477 034)	**5 000 000**	4 553 386	**(446 614)**	Ins
Interest revenue	12 085 661	(2 007 330)	**10 078 331**	12 960 345	**2 882 014**	N2
Gains on disposal of assets	-	-	**-**	299 218	**299 218**	Ins
Sundry fees and income	1 543 185	-	**1 543 185**	6 439 623	**4 896 438**	N3
Total revenue from exchange transactions	**210 857 882**	**(59 566 401)**	**151 291 481**	**136 558 167**	**(14 733 314)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	43 501 000	(3 115 553)	**40 385 447**	40 299 750	**(85 697)**	Ins
Transfer revenue						
Government grants & subsidies	68 028 580	1 536 700	**69 565 280**	77 523 693	**7 958 413**	N4
Fines	2 418 719	(518 719)	**1 900 000**	232 258	**(1 667 742)**	N5
Total revenue from non-exchange transactions	**113 948 299**	**(2 097 572)**	**111 850 727**	**118 055 701**	**6 204 974**	
Total revenue	**324 806 181**	**(61 663 973)**	**263 142 208**	**254 613 868**	**(8 528 340)**	
Expenditure						
Employee related costs	(79 239 194)	(1 760 806)	**(81 000 000)**	(81 964 835)	**(964 835)**	Ins
Remuneration of councillors	(6 086 160)	(513 840)	**(6 600 000)**	(7 925 957)	**(1 325 957)**	Ins
Depreciation and amortisation	(63 044 256)	-	**(63 044 256)**	(62 661 345)	**382 911**	Ins
Impairment loss	(7 013 965)	-	**(7 013 965)**	(2 432 503)	**4 581 462**	N6
Finance costs	(670 984)	(8 329 016)	**(9 000 000)**	(14 403 863)	**(5 403 863)**	N7
Lease rentals on operating lease	-	-	**-**	(1 277 566)	**(1 277 566)**	Ins
Bad debts written off	-	-	**-**	(12 938 815)	**(12 938 815)**	N8
Bulk purchases	(79 495 000)	14 495 000	**(65 000 000)**	(64 444 219)	**555 781**	Ins
Contracted Services	(12 538 765)	4 538 765	**(8 000 000)**	(18 541 437)	**(10 541 437)**	N9
General Expenses	(49 116 792)	20 595 540	**(28 521 252)**	(43 275 646)	**(14 754 394)**	N10
Repairs and maintenance	(4 016 176)	-	**(4 016 176)**	(4 639 178)	**(623 002)**	Ins
Total expenditure	**(301 221 292)**	**29 025 643**	**(272 195 649)**	**(314 505 364)**	**(42 309 715)**	
Operating deficit	**23 584 889**	**(32 638 330)**	**(9 053 441)**	**(59 891 496)**	**(50 838 055)**	
Fair value adjustments	-	-	**-**	360 000	**360 000**	N11
Actuarial gains/losses	-	-	**-**	12 618 792	**12 618 792**	N12
	-	**-**	**-**	**12 978 792**	**12 978 792**	
Deficit for the year	**23 584 889**	**(32 638 330)**	**(9 053 441)**	**(46 912 704)**	**(37 859 263)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

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

N2: The budget anticipated a reduction in the debtors book resulting in a reduction in interest revenue. This reduction did not transpire in the current financial year.

N3: An objection was lodged with SARS regarding revised assessments arising from a VAT audit. The objection was successful resulting in a reduction of the SARS liability by R 4.6m.

N4: The Municipality received additional Municipal Infrastructure Grants and Integrated National Electrification Program grant funding in the prior financial period for which a rollover was granted. The rollover and the current year funds were utilised, while the budget reflects only current year grant allocations.

N5: The budget for revenue from fines was overstated.

N6: The budget for impairments was understated. The provision for debtors increased due to the ageing of the debtors book.

N7: The long outstanding Eskom account was not reflected in the budget. Finance costs relating to the Eskom account amounts to approximately R 6m.

N8: Council approved the write off of old debtors' balances amounting to approximately R 12m.

N9: The budget was understated for the commitments in place.

N10: The original budget was significantly reduced in anticipation of the cost containment measures implemented and the resultant savings expected. The benefit of cost containment measures was not realised in the current financial year.

N11: The budget did not anticipate fair value adjustments.

N12: The budget did not anticipate actuarial gains or losses.

Ins: Variance considered not to be material for the municipality. Refer for to accounting policy note 1.23 for more information.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange and non-exchange transactions

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

Impairment testing

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

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

The municipality considers the following events or circumstances as possible indications that an impairment may have occurred:

- Property, plant and equipment that are damaged, missing or stolen which have not yet been disposed.
- Damaged or derelict buildings and investment properties.

Provisions

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 17.

Useful lives of Property, Plant and Equipment

The municipality depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

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

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

1.3 Inventories

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

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

1.3 Inventories (continued)

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

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

1.4 Financial instruments

Classification

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

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

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Gains and losses

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

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality first assesses individually significant debtors for impairment and will then use a port-folio approach on the remaining debtors.

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

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

Accounting Policies

1.4 Financial instruments (continued)

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, expired or waived.

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

Presentation

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

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

1.5 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. The recoverable amount is considered to be the higher of the value in use and the fair value less costs to sell.

Value in use

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

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

1.5 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- bases 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;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of impairment loss

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

Accounting Policies

1.5 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

1.6 Investment property

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

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

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

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

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

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

1.6 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.8 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.8 Heritage assets (continued)

Derecognition

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

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

1.9 Impairment of non-cash generating assets

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

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. The recoverable service amount is considered to be the higher of the non-cash generating asset's value in use and the fair value less costs to sell.

Value in use

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

1.9 Impairment of non-cash generating assets (continued)

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

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

Reversal of an impairment loss

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

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

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

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

1.10 Leases

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

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

Operating leases - The municipality as the lessor

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

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

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

Operating leases - The municipality as the lessee

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

1.11 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

1.11 Site restoration and dismantling cost (continued)

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

1.12 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 of the expenditures expected to be required to settle the obligation. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

1.13 Employee benefits

Short-term employee benefits

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

1.13 Employee benefits (continued)

Short-term employee benefits include items such as:

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

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

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

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

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

Long-service award

The municipality has an obligation to provide long-service award benefits to all of its employees. According to the rules of the long-service award scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

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.

Post-employment benefits: Defined benefit plans

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

1.13 Employee benefits (continued)

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.

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

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

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

1.14 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash. Refer to note 42 for commitments the municipality are required to honour.

1.15 Value-Added Tax

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

Service charges relating to electricity are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

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

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

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

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

1.17 Revenue from non-exchange transactions

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

Recognition

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Measurement

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

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

Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Government Grants and receipts

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

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Once the conditions are met, revenue is recognised and the liability is reduced. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Fines

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

1.18 Borrowing costs

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

Accounting Policies

1.19 Unauthorised expenditure

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure in terms of section 1 of the MFMA means expenditure incurred by a municipality in contravention of, or that is not in accordance with the:
- MFMA
- Municipal Systems Act (Act No. 32 of 2000)
- Public Office-Bearers Act (Act No. 20 of 1998), or
- A requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and

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

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

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

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

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

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

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Related parties

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

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

Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

All related party transactions during the year and balances at reporting date is disclosed in note 55.

1.23 Budget information

The approved budget is prepared on a accrual basis and relates solely to the municipality. The approved budget covers the fiscal period from 1 July 2017 to 30 June 2018.

The municipality considers budget variances greater than 10% and R 1 436 174 (approximately 0.5% of revenue) as material.

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

1.24 Comparative figures

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

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

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

GRAP 20: Related parties

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the separate financial statements of the reporting entity. This standard also applies to individual annual financial statements.

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

The municipality expects to adopt the standard for the first time in the 2020 annual financial statements.

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

2. New standards and interpretations (continued)

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 interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020 annual financial statements.

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

GRAP 108: Statutory Receivables

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

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

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

The municipality expects to adopt the standard for the first time in the 2020 annual financial statements.

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

GRAP 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 interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020 annual financial statements.

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

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.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

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

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

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

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

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

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

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:
- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

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

GRAP 12 (as amended 2016): Inventories

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as amended 2016): Investment Property

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

The most significant changes to the Standard are:

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

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

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

The impact of this amendment is currently being assessed.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103 (as amended 2016): Heritage Assets

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

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

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

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

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

Notes to the Annual Financial Statements

	2018 R	2017 R

3. Inventories

Fuel (Diesel and petrol)	-	52 532
Stores (Consumables and materials)	565 207	411 182
	565 207	**463 714**
Inventory written off during the year	88 457	-
Inventories recognised as an expense during the year (Excluding write offs)	536 015	2 090 135

4. Receivables from exchange transactions

Gross rental debtors	6 278 771	6 603 797
Less: Allowance for impairment	(4 344 872)	(5 132 840)
Net rental debtors	1 933 899	1 470 957
Prepaid expenses	-	575 445
Sundry debtors	126 783	241 682
	2 060 682	**2 288 084**

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

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

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

The ageing of receivables from exchange transactions is as follows:

Current (0 - 30 days)	403 394	686 309
31 - 60 days	51 091	77 511
61 - 90 days	55 616	63 295
91 - 120 days	51 035	45 777
121 - 150 days	31 968	48 356
More than 151 days	1 467 578	1 366 836
	2 060 682	**2 288 084**

Revenue from exchange transactions past due but not impaired

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

1 month past due	51 091	77 511
2 months past due	55 616	63 295
3 months past due	51 035	45 777
4 months past due	31 968	48 356
More than 4 months past due	1 467 578	1 366 836
	1 657 288	**1 601 775**

	2018 R	2017 Restated* R

4. Receivables from exchange transactions (continued)

Revenue from exchange transactions impaired

As of 30 June 2018 receivables from exchange transactions of R (4 344 872) (2017: R 5 132 840) were impaired and provided for.

The ageing of these receivables is as follows:

0 to 3 months	140 392	35 963
3 to 6 months	102 565	56 751
6 to 9 months	158 359	63 917
More than 9 months	3 943 556	4 976 209
	4 344 872	**5 132 840**

Reconciliation of the allowance for impairment of receivables from exchange transactions

Opening balance	5 132 840	4 956 470
Provision for impairment	(787 968)	176 370
Balance at the end of the year	**4 344 872**	**5 132 840**

5. Receivables from non-exchange transactions

Gross balances		
Rates	71 647 453	71 055 667
Less: Allowance for impairment		
Rates	(59 723 565)	(64 061 380)
Net balance		
Rates	11 923 888	6 994 287

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

Rates		
Current (0 - 30 days)	2 984 163	217 870
31 - 60 days	148 579	1 038 211
61 - 90 days	142 098	301 335
91 - 120 days	110 918	120 916
121 - 150 days	167 010	53 022
More than 151 days	8 371 122	5 262 933
	11 923 890	**6 994 287**

* See Note 52

Notes to the Annual Financial Statements

	2018	2017 Restated*
	R	R

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2018, R 8 939 727 (2017: R 6 776 417) were past due but not impaired.

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

	2018	2017
1 month past due	148 579	1 038 211
2 months past due	142 098	301 335
3 months past due	110 918	120 916
4 months past due	167 010	53 022
More than 4 months past due	8 371 122	5 262 933
	8 939 727	**6 776 417**

Receivables from non-exchange transactions impaired

As of 30 June 2018, receivables from non-exchange transactions of R 59 723 565 (2017: R 64 061 380) were impaired and provided for.

The ageing of these receivables is as follows:

	2018	2017
0 to 3 months	4 205 637	129 687
3 to 6 months	900 238	925 816
6 to 9 months	1 058 720	1 030 542
More than 9 months	53 558 970	61 975 335
	59 723 565	**64 061 380**

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

	2018	2017
Opening balance	64 061 380	53 171 779
Provision for impairment	(4 337 815)	10 889 601
Balance at the end of the year	**59 723 565**	**64 061 380**

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

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

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

6. Consumer debtors from exchange transactions

Gross balances	2018	2017
Electricity	26 599 400	35 888 055
Refuse	71 027 681	60 691 045
	97 627 081	**96 579 100**

* See Note 52

	2018 R	2017 Restated* R

6. Consumer debtors from exchange transactions (continued)

	2018 R	2017 Restated* R
Less: Allowance for impairment		
Electricity	(7 983 365)	(10 950 295)
Refuse	(69 591 374)	(59 066 158)
	(77 574 739)	**(70 016 453)**
Net balance		
Electricity	18 616 035	24 937 760
Refuse	1 436 307	1 624 887
	20 052 342	**26 562 647**

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

	2018 R	2017 Restated* R
Electricity		
Current (0 -30 days)	5 719 788	6 264 489
31 - 60 days	374 500	3 167 959
61 - 90 days	542 325	2 482 063
91 - 120 days	829 493	2 691 172
121 - 365 days	207 747	1 089 255
> 365 days	10 942 182	9 242 822
	18 616 035	**24 937 760**
Refuse		
Current (0 -30 days)	842 608	685 335
31 - 60 days	80 484	133 532
61 - 90 days	103 925	93 634
91 - 120 days	78 537	80 513
121 - 365 days	16 906	44 277
> 365 days	313 847	587 596
	1 436 307	**1 624 887**

Consumer debtors from exchange transactions past due but not impaired

At 30 June 2018, R 13 489 946 (2017: R 19 612 823) were past due but not impaired.

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

	2018 R	2017 Restated* R
1 month past due	454 984	3 301 491
2 months past due	646 250	2 575 697
3 months past due	908 030	2 771 685
4 months past due	224 653	1 133 532
More than 4 months past due	11 256 029	9 830 418
	13 489 946	**19 612 823**

* See Note 52

	2018	2017 Restated*
	R	R

6. Consumer debtors from exchange transactions (continued)

Consumer debtors from exchange transactions impaired

As of 30 June 2018, consumer debtors from exchange transactions of R 77 574 739 (2017: R 70 016 453) were impaired and provided for.

The ageing of these consumer debtors is as follows:

	2018	2017
0 - 3 months	2 736 790	1 597 359
3 - 6 months	2 189 675	1 639 395
6 - 9 months	2 127 920	1 644 672
Over 9 months	70 520 354	65 135 027
	77 574 739	**70 016 453**

Reconciliation of the allowance for impairment of consumer debtors

	2018	2017
Opening balance	70 016 453	58 870 106
Allowance for impairment	7 558 286	11 146 347
Balance at the end of the year	**77 574 739**	**70 016 453**

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

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

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

7. VAT receivable / (payable)

	2018	2017
VAT provided for on debtors	(9 140 298)	(10 094 159)
VAT provided for on creditors	11 131 233	6 663 432
VAT due from the South Africa Revenue Service	(1 088 063)	(2 711 977)
	902 872	**(6 142 704)**

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

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 R	2017 Restated* R
Bank balances	1 336 526	1 608 988
Short-term deposits	513 829	514 285
	1 850 355	**2 123 273**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	**30 June 2017**	**1 July 2016**	**30 June 2018**	**30 June 2017**	**1 July 2016**
First National Bank - 51980028125	664 494	1 251 428	1 446 424	1 334 129	1 506 292	2 290 351
First National Bank - 51981035195	2 397	102 696	383 102	2 397	102 696	377 289
First National Bank - 62483143493	366	26 664	24 990	366	26 664	24 990
ABSA Bank - 9274923100	166 303	158 052	149 167	166 303	158 052	149 167
ABSA Bank - 9264494272	141 225	134 785	127 652	141 225	134 785	127 652
ABSA Bank - 9247070027	67 366	64 661	61 240	67 366	64 661	61 240
Standard Bank of South Africa - 288553187004	-	-	40 440	-	-	40 440
Standard Bank of South Africa - 288553187005	-	-	26 451	-	-	26 451
Standard Bank of South Africa - 288553187006	-	-	41 538	-	-	41 538
Standard Bank of South Africa - 288553187007	-	-	2 921	-	-	2 921
Standard Bank of South Africa - 288553187010	128 854	120 765	-	128 854	120 765	-
Nedbank Limited - 08851015	9 715	9 358	8 992	9 715	9 358	8 992
Total	**1 180 720**	**1 868 409**	**2 312 917**	**1 850 355**	**2 123 273**	**3 151 031**

* See Note 52

	2018	2017 Restated*
	R	R

9. Investment property

	2018			2017		
	Fair value	Accumulated impairment	Fair value less impairments	Fair value	Accumulated impairment	Fair value less impairments
Investment property	39 520 000	-	39 520 000	39 160 000	-	39 160 000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	39 160 000	360 000	39 520 000

Reconciliation of investment property - 2017 restated

	Opening balance	Fair value adjustments	Fair value adjustments	Total
Investment property	37 051 000	2 109 000	2 109 000	39 160 000

Details of valuation

The effective date of the revaluations was Saturday, 30 June 2018. Fair valuations were performed by Engnet Solutions, who contracted an independent valuer, Mr Stefan Rudman, ND Real Estate (Property Valuations), who is registered with the Professional Valuers Council, Registration Number 3693. Mr Stefan Rudman and Engnet Solutions are not connected to the municipality and have recent experience in location and category of the investment property being valued.

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

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

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

Amounts recognised in surplus or deficit

	2018	2017
Rental revenue from Investment property	2 028 660	1 007 526
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	1 997 821	2 113 367
Repairs and maintenance	355 431	345 344
	2 353 252	**2 458 711**
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	-
Repairs and maintenance	-	-
	-	**-**

* See Note 52

Notes to the Annual Financial Statements

10. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	2 225 000	-	2 225 000	2 225 000	-	2 225 000

Reconciliation of heritage assets - 2018

	Opening balance	Total
Historical buildings	2 225 000	2 225 000

Reconciliation of heritage assets - 2017

	Opening balance	Total
Historical buildings	2 225 000	2 225 000

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

11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	41 276 174	-	41 276 174	41 276 174	-	41 276 174
Buildings	142 661 407	(16 558 517)	126 102 890	142 661 407	(11 044 048)	131 617 359
Plant and machinery	2 073 583	(999 499)	1 074 084	1 973 477	(629 985)	1 343 492
Furniture and fittings	5 096 264	(2 733 399)	2 362 865	5 069 810	(1 810 519)	3 259 291
Motor vehicles	22 471 113	(12 289 658)	10 181 455	19 794 830	(7 963 394)	11 831 436
Office equipment	548 174	(254 980)	293 194	477 157	(169 971)	307 186
Computer equipment	4 251 732	(2 278 110)	1 973 622	4 085 522	(1 467 244)	2 618 278
Infrastructure	1 105 756 365	(141 487 926)	964 268 439	1 105 823 213	(94 139 665)	1 011 683 548
Community	95 043 113	(9 749 304)	85 293 809	85 647 866	(6 474 345)	79 173 521
Landfill sites	26 198 099	(26 198 099)	-	26 198 099	(26 198 099)	-
Work in progress	56 923 750	-	56 923 750	33 651 372	-	33 651 372
Total	**1 502 299 774**	**(212 549 492)**	**1 289 750 282**	**1 466 658 927**	**(149 897 270)**	**1 316 761 657**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	41 276 174	-	-	-	-	41 276 174
Buildings	131 617 359	-	-	-	(5 514 469)	126 102 890
Plant and machinery	1 343 492	100 106	-	-	(369 514)	1 074 084
Furniture and fittings	3 259 291	26 454	-	-	(922 880)	2 362 865
Motor vehicles	11 831 436	2 676 283	-	-	(4 326 264)	10 181 455
Office equipment	307 186	71 017	-	-	(85 009)	293 194
Computer equipment	2 618 278	166 210	-	-	(810 866)	1 973 622
Infrastructure	1 011 683 548	-	(57 724)	-	(47 357 385)	964 268 439
Community	79 173 521	-	-	9 395 248	(3 274 960)	85 293 809
Landfill sites	-	-	-	-	-	-
Work in progress	33 651 372	32 667 626	-	(9 395 248)	-	56 923 750
	1 316 761 657	**35 707 696**	**(57 724)**	**-**	**(62 661 347)**	**1 289 750 282**

Reconciliation of property, plant and equipment - 2017 restated

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	41 276 174	-	-	-	-	-	41 276 174
Buildings	137 131 830	-	-	-	(5 514 471)	-	131 617 359
Plant and machinery	1 275 343	410 740	-	-	(342 591)	-	1 343 492
Furniture and fittings	4 066 788	110 945	(7 078)	-	(911 364)	-	3 259 291
Motor vehicles	14 926 863	899 950	-	-	(3 995 377)	-	11 831 436
Office equipment	393 155	-	-	-	(85 969)	-	307 186
Computer equipment	2 778 604	618 065	-	-	(778 391)	-	2 618 278
Infrastructure	1 044 826 191	-	(5 697 421)	19 760 376	(47 205 598)	-	1 011 683 548
Community	82 406 266	-	-	-	(3 232 745)	-	79 173 521
Landfill sites	-	495 639	-	-	-	(495 639)	-
Work in progress	30 365 054	23 046 694	-	(19 760 376)	-	-	33 651 372
	1 359 446 268	**25 582 033**	**(5 704 499)**	**-**	**(62 066 506)**	**(495 639)**	**1 316 761 657**

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

11. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	14 133 657	19 517 715	33 651 372
Additions/capital expenditure	26 482 231	6 185 394	32 667 625
Transferred to completed items	-	(9 395 247)	(9 395 247)
	40 615 888	**16 307 862**	**56 923 750**

Reconciliation of work-in-progress - 2017

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

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.

12. Payables from exchange transactions

	2018	2017
Trade accruals	96 477 899	67 794 840
Credit balances in debtors	6 379 955	5 100 484
Deposits received	1 432 298	1 289 241
Accrued leave pay	4 116 722	3 307 334
Accrued thirteenth cheque	1 580 145	2 019 916
Retentions	2 333 189	1 270 167
Other payroll accruals	9 187 670	133 009
Other payables	1 238 529	3 206 508
	122 746 407	**84 121 499**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe, however due to liquidity problems, the municipality was not able to meet payment commitments. Credit balances in debtors relates to overpaid debtors accounts.

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

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

13. Payables from non-exchange transactions

	2018	2017
Due to National Treasury	3 752 433	1 361 067

* See Note 52

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

13. Payables from non-exchange transactions (continued)

The municipality did not succeed in its application to apply for roll over of the unspent portion of this conditional grant and was required to repay the unspent portion to National Treasury. The amount was repaid through a reduction of the equitable share payments received during the year. Refer to note 27 for additional information.

14. Consumer deposits

	2018 R	2017 Restated* R
Electricity	1 403 105	1 324 396

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

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2018 R	2017 Restated* R
Department of Sport, Recreational Arts and Culture: Libraries grant	800 025	1 051 210
Chris Hani District Municipality grant fund	900 000	-
Municipal Infrastructure Grant	-	6 723 081
Integrated National Electrification Program grant	-	3 000 285
	1 700 025	**10 774 576**

Movement during the year

	2018 R	2017 Restated* R
Balance at the beginning of the year	10 774 576	3 121 545
Grants received during the year	73 468 569	85 474 356
Income recognition during the year	(72 819 754)	(77 247 985)
Paid back to national treasury	(9 723 366)	(573 340)
	1 700 025	**10 774 576**

See note 27 for reconciliation of grants received.

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Interest cost	Acturial gains	Total
Rehabilitation of landfill site	23 071 653	1 997 063	(1 199 121)	23 869 595

Reconciliation of provisions - 2017

	Opening Balance	Interest cost	Acturial gains	Total
Rehabilitation of landfill site	22 558 226	1 970 806	(1 457 379)	23 071 653

* See Note 52

	2018 R	2017 R

16. Provisions (continued)

The municipality has an obligation to rehabilitate its landfill sites in terms of the closure license received on 16 March 2015. The estmated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2018 by technical specialists, ZAQ Consultants and Actuaries. The provision is the best estimate of the value of rehabilitation costs of the landfill sites to restore the sites at the end of their useful lives. In the current year the opinion changed as to classify the provision as a non-current liability and not a current liability as, practically it will take a period of 5 years for Cradock and 8 years for Middleburg to effectively rehabilitate their landfill and move to a new site. The opening balance was adjusted as a result of the change.

The following assumptions were made when calculating the provision:

- Costs included in the provision relate only to costs associated with closure, pre-closure and post-closure of the current landfill site. Any costs associated with a new site will be capitalised to a new landfill asset in future.
- The previous year's costs have been escalated by the Consumer Price Index (CPI) rate of 4.6%.
- An area of 2.7 Ha has been assumed to be required for capping.
- A Geosynthetic Clay Liner (GCL) with a soil cover layer has been assumed for capping since there is no bottom liner present.
- Due to the GCL being used a gas drainage system has been allowed for.
- Pre-closure costs requirements have been re-evaluated based on current conditions of the landfill as well as outstanding items such as drilling of boreholes that have not been performed to date.
- The following CPI rates were used in determining the future value of the costs incurred:
  - Cradock: 5.6% (30 June 2017: 5.67%, 30 June 2016: 6.82%).
  - Middelburg: 6.03% (30 June 2017: 6.39%, 30 June 2016: 7.17%).
- The following discount rates were used in determining the present value of the costs incurred:
  - Cradock: 8.2% (30 June 2017: 8.24%, 30 June 2016: 8.53%).
  - Middleburg: 8.79% (30 June 2017: 8.95%, 30 June 2016: 8.88%).
- It is assumed that Cradock will be able to rehabilitate their land over a period of 5 years and Middleburg over a period of 8 years.

The discounted cost to rehabilitate the landfill sites are calculated to be:

	Rehabilitation Cost
Cradock Landfill	9 977 317
Middelburg Landfill	13 892 278
	23 869 595

17. Employee benefit obligations

Long-service awards

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

At 30 June 2018, 330 (2017: 322) employees were eligible for long-service awards.

The independent valuers, ZAQ Consultants and Actuaries ("ZAQ") have been engaged to carry out a GRAP 25: Employee benefits actuarial valuation of the municipality's liability as at 30 June 2018 arising out of the long-service awards to be awarded to qualifying in-service employees.

Long-service awards obligation		
Balance at the beginning of the year	4 397 000	3 944 000
Current service costs	575 000	501 000
Interest cost	457 000	406 000
Benefits paid	(353 000)	(396 000)
Actuarial gains / (losses)	(627 000)	(58 000)
Balance at the end of the year	**4 449 000**	**4 397 000**

Notes to the Annual Financial Statements

	2018 R	2017 R

17. Employee benefit obligations (continued)

Assumptions

Key assumptions used	2018	2017
Discount Rate	8,75 %	8,66 %
Consumer Price Inflation	6,02 %	6,09 %
Normal Salary Increase Rate	7,02 %	7,08 %
Net Effective Discount Rate	1,46 %	1,15 %

Employee information for year ended 30 June 2018	Male	Female	Total
Number of active employees	239	91	330
Salary weighted average age (Years)	44,66	43,02	44,17
Weighted average past service (Years)	10,16	11,73	10,63

Employee information for year ended 30 June 2017	Male	Female	Total
Number of active employees	226	96	322
Salary weighted average age (Years)	44,67	42,17	44,05
Weighted average past service (Years)	10,58	11,69	10,93

Sensitivity

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

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

Change in assumed level of withdrawal for year ended 30 June 2018	20% increase	20% decrease
Effect on the interest cost	(20 000)	23 000
Effect on the service cost	(38 000)	44 000
Effect on long-service award obligation	(188 000)	209 000

Change in normal salary inflation for year ended 30 June 2018	1% increase	1% decrease
Effect on the interest cost	29 000	(26 000)
Effect on the service cost	43 000	(38 000)
Effect on long-service award obligation	267 000	(245 000)

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

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

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Long-service award obligation	4 449 000	4 397 000	3 944 000	3 575 000	3 271 000

	2018 R	2017 R

17. Employee benefit obligations (continued)

Post retirement medical aid plan

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

The independent valuers, ZAQ have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2018 arising out of the post retirement medical aid plan awarded to qualifying in-service employees.

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

	2018	2017
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	33 738 000	41 281 000

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

	2018	2017
Opening balance	41 281 000	37 958 000
Current service costs	1 054 000	1 001 000
Interest cost	4 160 000	3 739 000
Benefits paid	(1 964 330)	(1 641 292)
Actuarial gains / (losses)	(10 792 670)	224 292
Balance at the end of the year	**33 738 000**	**41 281 000**

Key assumptions used

Assumptions used at the reporting date:

	2018	2017
Discount rates used	10,47 %	8,49 %
Expected rate of return on assets	7,29 %	5,93 %
Expected rate of return on reimbursement rights	8,29 %	6,93 %
Actual return on reimbursement rights	2,01 %	1,46 %

The nominal and real zero curves as at 30 June 2018 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period.

Employee assumptions

Current (In Service) Members - 2018	Male	Female	Total
Number of active employees	52	39	1
Subsidy weighted average age	46,7	44,1	45,5
Subsidy weighted average past service	14,0	13,4	13,7
Number of spouses	15	8	23
Average monthly subsidy payable during retirement	1 720	1 950	1 820

Current (In Service) Members - 2017	Male	Female	Total
Number of active employees	77	55	132
Subsidy weighted average age	50,4	46,4	48,7
Subsidy weighted average past service	15,4	12,7	14,2
Number of spouses	21	16	37
Average monthly subsidy payable during retirement	1 690	1 860	1 760

Notes to the Annual Financial Statements

	2018	2017
	R	R

17. Employee benefit obligations (continued)

Continuation Members (Pensioners) - 2018	Male	Female	Total
Number of continuation members	31	23	54
Subsidy weighted average age	73,2	71,1	72,4
Average monthly subsidy	3 140	2 660	2 940

Continuation Members (Pensioners) - 2017	Male	Female	Total
Number of continuation members	22	19	41
Subsidy weighted average age	73,6	74,4	74,0
Average monthly subsidy	3 420	3 340	3 390

Sensitivity

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

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

Change in mortality rate - 2018	20% increase	20% decrease
Effect on the interest cost	261 000	(328 000)
Effect on the current service cost	61 000	(75 000)
Effect on post retirement medical aid obligation	2 602 000	(3 268 000)

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

Change in medical aid inflation - 2018	1% increase	1% decrease
Effect on the interest cost	(428 000)	358 000
Effect on the service cost	(168 000)	130 000
Effect on post retirement medical aid obligation	(4 222 000)	3 540 000

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

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

	2018	2017	2016	2015	2014
	R	R	R	R	R
Defined benefit obligation	33 738 000	41 281 000	37 958 000	37 477 000	38 605 000
Experience adjustments on plan liabilities	10 855 000	(224 292)	2 432 920	4 695 637	-

	2019	2020	2021
	R	R	R
Defined benefit obligation	35 739 000	38 067 000	40 678 000
Current Service Cost	706 000	776 000	853 000
Interest Cost	3 288 000	3 491 000	3 724 000
Benefits Paid	1 993 000	1 939 000	1 966 000
	41 726 000	**44 273 000**	**47 221 000**

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

18. Service charges

Sale of electricity	88 208 621	85 162 722
Refuse removal	21 806 986	19 733 341
	110 015 607	**104 896 063**

19. Rental of facilities and equipment

Premises		
Premises	1 558 386	1 208 944
Venue hire	380 706	301 021
	1 939 092	**1 509 965**
Garages and parking		
Parking rental	182	553
Facilities and equipment		
Rental of facilities	109 181	87 380
Rental of equipment	237 794	297 279
Vehicle hire	3 739	5 960
	350 714	**390 619**
	2 289 988	**1 901 137**

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

20. Agency services

Department of roads and transport	4 553 386	3 105 430

21. Interest revenue

Bank	263 928	670 275
Interest charged on consumer debtors and arrear rates	12 696 417	8 715 269
	12 960 345	**9 385 544**

22. Gain on disposal of assets and liabilities

Property, plant and equipment	299 218	(5 175 947)

23. Fair value adjustments

Investment property (Fair value model)	360 000	2 109 000

* See Note 52

	2018 R	2017 Restated* R

24. Sundry fees and income

Administration fees received	59 158	83 252
Cemetery fees	568 054	526 983
Clearance application fees	52 208	93 013
Commission received	108 015	96 365
Connection fees	209 782	246 764
Copy fees	-	15 611
Plan fees	276 770	269 344
Sundry fees	5 165 636	53 096
	6 439 623	**1 384 428**

25. Actuarial gains / (losses)

Actuarial gains / (losses) on the post retirement medical benefit obligation	12 046 670	(224 292)
Actuarial gains on the long service award	(627 000)	58 000
Actuarial gains on provisions for rehabilitation	1 199 122	1 457 379
	12 618 792	**1 291 087**

26. Property rates

Rates received

Property rates	40 299 750	36 414 732

Valuations

Residential	1 614 739 100	1 614 939 100
Commercial	392 699 000	392 699 000
State	431 945 969	431 945 969
Small holdings and farms	2 485 474 100	2 485 474 100
Public Service Infrastructure	13 099 600	13 099 600
	4 937 957 769	**4 938 157 769**

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

* See Note 52

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

27. Government grants and subsidies

Operating grants		
Equitable share	40 310 947	41 658 840
Chris Hani District Municipality Grant Funding	-	1 696 659
Cooperative Governance and Traditional Affairs grant	1 154 000	1 010 400
Department of Sport, Recreational Arts and Culture: Libraries grant	2 761 185	2 393 094
Expanded Public Works Programme Integrated grant	1 079 000	1 479 000
Finance Management Grant	2 145 000	1 810 000
National Lottery grant	-	2 187 241
Skills Education Training Authority (SETA) grant	56 622	117 117
Audit fees subsidy received from National Treasury	4 703 939	-
	52 210 693	**52 352 351**
Capital grants		
Integrated National Electrification Program grant	9 000 000	8 249 715
Municipal Infrastructure Grant	16 313 000	16 645 919
	25 313 000	**24 895 634**
	77 523 693	**77 247 985**

Equitable Share

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

All registered indigents receive a monthly subsidy of R 313 (2017: R 309), which is funded from the grant.

Chris Hani District Municipality grant funding

Balance unspent at beginning of year	-	(573 340)
Current-year receipts	900 000	2 269 999
Conditions met - transferred to revenue	-	(1 696 659)
Balance unspent at the end of the year	**900 000**	**-**

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

Cooperative Governance and Traditional Affairs grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 154 000	1 010 400
Conditions met - transferred to revenue	(1 154 000)	(1 010 400)
Balance unspent at the end of the year	**-**	**-**

All conditions attached to this grant have been met.

Department of Sport, Recreational Arts and Culture: Libraries grant

Balance unspent at beginning of year	1 051 210	934 304
Current-year receipts	2 510 000	2 510 000
Conditions met - transferred to revenue	(2 761 185)	(2 393 094)
Balance unspent at the end of the year	**800 025**	**1 051 210**

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

* See Note 52

	2018 R	2017 Restated* R

27. Government grants and subsidies (continued)

Expanded Public Works Programme Integrated grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 079 000	1 479 000
Conditions met - transferred to revenue	(1 079 000)	(1 479 000)
Balance unspent at the end of the year	**-**	**-**

All conditions attached to this grant have been met.

Finance Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
Balance unspent at the end of the year	**-**	**-**

All conditions attached to this grant have been met.

National Lottery grant

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

All conditions attached to this grant have been met in the previous year.

Skills Education Training Authority (SETA) grant

Balance unspent at beginning of year	-	-
Current-year receipts	56 622	117 117
Conditions met - transferred to revenue	(56 622)	(117 117)
Balance unspent at the end of the year	**-**	**-**

All conditions attached to this grant have been met.

Integrated National Electrification Program grant

Balance unspent at beginning of year	3 000 285	-
Current-year receipts	9 000 000	11 250 000
Conditions met - transferred to revenue	(9 000 000)	(8 249 715)
Paid back to National Treasury	(2 932 800)	-
Payable to National Treasury	(67 485)	-
Balance unspent at the end of the year	**-**	**3 000 285**

All conditions attached to this grant have not been met in the previous year. Refer to note 15.

The municipality did not succeed in its application to apply for roll over of the unspent portion of this conditional grant and was required to repay the unspent portion to National Treasury. The amount was repaid through a reduction of the equitable share payments received during the year. The portion payable at the end of the year is included in payables from non-exchange transactions (refer to note 13).

	2018	2017 Restated*
	R	R

27. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	6 723 081	-
Current-year receipts	16 313 000	23 369 000
Conditions met - transferred to revenue	(16 313 000)	(16 645 919)
Paid back to National Treasury	(4 399 200)	-
Payable to National Treasury	(2 323 881)	-
Balance unspent at the end of the year	**-**	**6 723 081**

All conditions attached to this grant have not been met in the previous year. Refer to note 15.

The municipality did not succeed in its application to apply for roll over of the unspent portion of this conditional grant and was required to repay the unspent portion to National Treasury. The amount was repaid through a reduction of the equitable share payments received during the year. The portion payable at the end of the year is included in payables from non-exchange transactions (refer to note 13).

Audit fees subsidy received from National Treasury

Current-year receipts	4 703 939	-
Transferred to revenue	(4 703 939)	-
	-	**-**

28. Fines

Traffic fines	232 258	279 428

29. Revenue

Service charges	110 015 607	104 896 063
Rental of facilities and equipment	2 289 988	1 901 137
Agency services	4 553 386	3 105 430
Interest revenue	12 960 345	9 385 544
Gain on disposal of assets	299 218	(5 175 947)
Fair value adjustments	360 000	2 109 000
Sundry fees and income	6 439 623	1 384 428
Actuarial gains	12 618 792	-
Property rates	40 299 750	36 414 732
Government grants and subsidies	77 523 693	77 247 985
Fines	232 258	279 428
	267 592 660	**231 547 800**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	110 015 607	104 896 063
Rental of facilities and equipment	2 289 988	1 901 137
Agency services	4 553 386	3 105 430
Interest revenue	12 960 345	9 385 544
Gain on disposal of assets	299 218	(5 175 947)
Fair value adjustments	360 000	2 109 000
Sundry fees and income	6 439 623	1 384 428
Actuarial gains	12 618 792	-
	149 536 959	**117 605 655**

* See Note 52

	2018 R	2017 Restated* R

29. Revenue (continued)

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

	2018 R	2017 Restated* R
Taxation revenue		
Property rates	40 299 750	36 414 732
Transfer revenue		
Government grants and subsidies	77 523 693	77 247 985
Fines	232 258	279 428
	118 055 701	**113 942 145**

30. Employee related costs

	2018 R	2017 Restated* R
Basic	52 410 584	48 460 680
Thirteenth cheque	4 630 848	3 351 412
Medical aid - company contributions	2 554 187	2 816 692
UIF	581 103	504 647
SDL	683 591	660 628
Leave pay provision charge	-	571 900
Pension contributions	7 451 239	7 319 442
Travel, motor car, accommodation and subsistence allowances	1 876 433	1 657 030
Overtime payments	4 716 223	3 918 496
Long-service awards	222 000	105 000
Acting allowances	2 092 422	1 581 680
Housing benefits and allowances	509 906	954 110
Adjustments to post retirement medical obligation	1 054 000	1 001 000
Group life insurance	936	14 140
Bargaining council levy	(1 655)	29 918
Other allowances	3 183 018	2 905 739
	81 964 835	**75 852 514**

Refer to note 55 for remuneration paid to section 57 managers.

31. Remuneration of councillors

	2018 R	2017 Restated* R
Executive Mayor	860 579	884 405
Speaker	686 762	675 953
Executive committee members	2 160 213	1 939 895
Councillors	3 287 677	3 071 561
	6 995 231	6 571 814
Ward committee members' allowances	930 726	256 540
	7 925 957	**6 828 354**

In-kind benefits

The Executive Mayor, Speaker and some executive committee members are full-time councillors. The Executive Mayor and Speaker is provided with an office and secretarial support at the cost of the Council.

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

Refer to note 55 for remuneration paid to councillors.

* See Note 52

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

32. Depreciation

Property, plant and equipment	62 661 345	62 066 506

33. Impairment of assets

Receivables from exchange transactions	(787 968)	176 370
Receivables from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
Receivables from non-exchange transactions	(4 337 815)	10 889 601
Receivables from non-exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
Consumer debtors from exchange transactions	7 558 286	7 887 309
Consumer debtors from exchange transactions have been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
Property, plant and equipment	-	495 639
Additions to the landfill sites is considered to be impaired since there is no future economic benefit from these additions.		
	2 432 503	**19 448 919**

34. Finance costs

Interest expense on rehabilitation provisions	1 997 063	1 970 806
Trade and other payables	7 789 800	7 272 797
Finance leases	-	3 927
Interest expense on employee benefit obligations	4 617 000	4 145 000
	14 403 863	**13 392 530**

35. Lease rentals on operating lease

Equipment		
Contractual amounts	1 277 566	1 129 507

The lease agreements are for office equipment leased during the year from 1 August 2017 for a period of 3 years.

36. Bad debts written off

Bad debts written off	12 938 815	-

During the year the municipality identified long outstanding debtor accounts that were unlikely to be collected. These accounts were presented and approved by council to be written off.

* See Note 52

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

37. Repairs and maintenance

Buildings and structures	406 124	558 971
Office equipment	120 398	183 139
Infrastructure	3 373 180	2 949 001
Vehicles	495 550	565 584
Tools and accessories	98 239	35 364
	4 493 491	**4 292 059**

38. Bulk purchases

Electricity	64 444 219	61 485 424

39. Contracted services

Consultants and Professional Services		
Preparation of financial statements and improving audit outcomes	4 218 900	3 232 798
Preparation of fixed asset register	7 785 826	2 092 037
Implementing the performance management system	2 665 667	-
Municipal finance system maintenance	2 348 075	1 241 299
Vat recovery services	464 071	-
Other	1 058 898	250 817
	18 541 437	**6 816 951**

40. General expenses

Advertising	667 430	447 048
Auditors remuneration	4 931 978	3 484 272
Bank charges	763 873	576 171
Commission paid	1 288 970	222 108
Computer expenses	962 634	693 037
Consulting and professional fees	542 417	1 466 773
Consumables	1 034 607	2 090 135
Free basic electricity	15 976 404	15 348 796
Income forgone	3 098 317	2 812 786
Insurance	1 531 066	1 037 741
Inventory written off	88 457	-
Membership fees	1 655 885	1 553 099
Motor vehicle expenses	2 108 416	2 333 841
Other expenses	1 609 120	1 535 494
Postage and courier	1 403 393	511 145
Printing and stationery	409 327	298 492
Protective clothing	24 142	543 659
Refuse bags and bins	174 159	268 020
Security (Guarding of municipal property)	519 163	500 552
Special programs and events	1 921 629	5 525 423
Staff welfare	12 505	98 005
Telephone and fax	1 356 611	1 358 271
Training	1 195 143	2 403 542
	43 275 646	**45 108 410**

* See Note 52

	2018 R	2017 Restated* R

41. Cash generated from operations

Deficit	(46 912 704)	(63 597 975)
Adjustments for:		
Depreciation	62 661 345	62 066 506
(Loss) gain on sale of assets and liabilities	(299 218)	5 175 947
Fair value adjustments	(360 000)	(2 109 000)
Interest cost on finance leases	-	3 927
Impairment deficit	2 432 503	19 448 919
Bad debts written off	12 938 815	-
Acturial gains on provisions for rehabilitation	(1 199 122)	(1 457 262)
Interest expense provisions for rehabilitation	1 997 063	1 970 806
Deregistration of municipal entity	-	100
Interest cost on employee benefit obligations	4 617 000	4 145 000
Current service cost on employee benefit obligations	1 629 000	1 502 000
Benefits paid on employee benefit obligations	(2 317 330)	(2 037 292)
Actuarial gains on employee benefit obligations	(11 419 670)	166 292
Changes in working capital:		
Inventories	(101 493)	373 446
Receivables from exchange transactions	(679 416)	(1 348 527)
Gross consumer debtors from exchange transactions	(1 047 981)	(31 436 901)
Gross receivables from non-exchange transactions	(11 835 812)	(11 130 387)
Payables from exchange transactions	38 624 908	31 633 053
VAT	(7 045 576)	1 745 129
Payables from non-exchange transactions	2 391 366	1 361 067
Unspent conditional grants and receipts	(9 074 551)	7 653 031
Consumer deposits	78 709	87 308
	35 077 836	**24 215 187**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Community assets	12 940 625	6 760 036
• Infrastructure assets	24 161 857	7 186 612
	37 102 482	**13 946 648**

Other commitments

Already contracted for but not provided for		
• Other	5 504 709	3 458 686

Total commitments

Total commitments		
Authorised capital expenditure	37 102 482	13 946 648
Other	5 504 709	3 458 686
	42 607 191	**17 405 334**

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

* See Note 52

Notes to the Annual Financial Statements

	2018	2017 Restated*
	R	R

42. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	599 834	-
- in second to fifth year inclusive	1 363 259	-
	1 963 093	**-**

The lease agreements are for office equipment leased during the year from 1 August 2017 for a period of 3 years.

43. Auditors' remuneration

Fees	4 931 978	3 484 272

44. Unauthorised expenditure

Community services	10 248 942	-
Corporate	12 650 124	-
Executive Mayor and Council	8 184 626	11 443 288
Finance	31 472 376	1 330 731
Municipal Manager	4 033 526	12 249 229
	66 589 594	**25 023 248**

Unauthorised expenditure is presented per department. The municipality has identified unauthorised expenditure during the current and prior periods. At balance sheet date, it is not known whether this expenditure is recoverable. No material losses were written off during the year.

45. Fruitless and wasteful expenditure

During the year the muncipality incurred the following expediture which was deemed to be fruitess and wasteful:

Interest on creditors	7 789 800	7 272 797

At balance sheet date, it is not known whether this expenditure is recoverable. No material losses were written off during the year.

46. Irregular expenditure

Opening balance	92 940 428	43 631 524
Add: Irregular Expenditure - current year	65 574 920	49 308 904
Irregular expenditure awaiting ratification and condonement	**158 515 348**	**92 940 428**

	2018 R	2017 Restated* R

46. Irregular expenditure (continued)

Details of additional irregular expenditure during the year

R 2 000 to R 10 000 - Various suppliers	1 113 472	817 471
R 10 000 to R 30 000 - Various suppliers	2 475 136	1 726 901
R 30 000 to R 200 000 - Various suppliers	4 534 789	4 846 117
More than R 200 000 - Various suppliers	57 451 523	41 918 415
	65 574 920	**49 308 904**

The municipality has identified irregular expenditure during the current and prior periods. Investigations into irregular expenditure have been performed for the financial years ending 30 June 2015 and 30 June 2016. As at 30 June 2018 the amounts had not yet been condoned by council. At balance sheet date, it is not known whether this expenditure is recoverable. No material losses were written off during the year. A register containing the details of irregular expenditure is available for inspection at the municipal offices.

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees (Amounts excludes VAT)

Balance payable at the beginning of the year	2 612 587	2 432 979
Prior year audit fees charged in current year	4 227 116	2 496 608
Current year audit fees charged in current year	704 862	812 757
Interest charged during the year	282 967	192 001
Amount paid - current year	-	-
Amount paid - previous years	(2 769 999)	(3 321 758)
Subsidy received from National Treasury	(4 333 012)	-
Balance payable at the end of the year	**724 521**	**2 612 587**

Contributions to organised local government

Balance payable at the beginning of the year	746 242	1 137 672
Current year subscription / fee	639 812	472 724
Amount paid - current year	-	-
Amount paid - previous years	(202 909)	(864 154)
Balance payable at the end of the year	**1 183 145**	**746 242**

PAYE, UIF and SDL

Balance payable at the beginning of the year	739 096	684 991
Current year subscription / fee	10 400 971	9 364 536
Interest and penalties	1 151 268	-
Amount paid - current year	(3 166 786)	(8 625 440)
Amount paid - previous years	-	(684 991)
Balance payable at the end of the year	**9 124 549**	**739 096**

Pension and Medical Aid Deductions

Balance at the beginning of the year	-	-
Current year subscription / fee	17 567 891	18 491 164
Amount paid - current year	(17 567 891)	(18 491 164)
Balance at the end of the year	**-**	**-**

* See Note 52

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

Councillors' arrear consumer accounts

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Desha M	-	89	89
Diamond C	506	1 494	2 000
Mankamani ZA	391	1 529	1 920
Mgeza G	106	1 406	1 512
Nortje MM	-	71	71
Sammy CA	1 544	680	2 224
	2 547	**5 269**	**7 816**

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

Deviation from supply chain management regulations

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

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

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

Notes to the Annual Financial Statements

	2018 R	2017 Restated* R

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

Incident

Sole / single supplier	1 595 050	401 842
Emergencies	1 649 720	-
Exceptional cases	1 772 589	181 203
Other	1 495 337	1 767 333
	6 512 696	**2 350 378**

VAT

VAT receivable	902 872	-
VAT payable	-	6 142 704
	902 872	**6 142 704**

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

48. Distribution losses

Electricity losses (units)

Electricity units (kWh) purchased from Eskom	69 656 876	66 336 711
Electricity units (kWh) sold to consumers	(61 370 783)	(58 910 235)
	8 286 093	**7 426 476**

Electricity losses for the financial year amounted to 11.90% (2017: 11.20%) of the electricity consumed in the area. The Rand value of these electricity losses for the current financial year is R 7 933 106 (2017: R 6 978 659).

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

49. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 1 177 192 063 and that the municipality's current liabilities exceed its current assets by R 92 246 624.

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

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

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

* See Note 52

Notes to the Annual Financial Statements

50. Risk management

Financial risk management

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

Market risk

Interest rate risk

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

Credit risk

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

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

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

These balances represent the maximum exposure to credit risk:

Financial instrument	2018 R	2017 R
Cash and cash equivalents	1 850 355	2 123 273
Receivables from exchange transactions	2 060 682	2 288 084
Receivables from non-exchange transactions	11 923 888	6 994 287
Consumer debtors from exchange transactions	20 052 342	26 562 647

Liquidity risk

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

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	118 629 685	-	-	-

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	80 814 165	-	-	-

51. Events after the reporting date

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

Notes to the Annual Financial Statements

52. Prior period errors

During the financial year the municipality identified errors and reclassifications relating to the previous financial years. The errors and reclassifications are as follow:

Statement of financial position	
Decrease in opening accumulated surplus	6 890 770
Increase in deficit for the year	10 537 683
Decrease in receivables from non-exchange transactions	(1 075 688)
Decrease in receivables from exchange transactions	(48 718)
Decrease in consumer debtors	(10 968 393)
Decrease in investment property	(774 500)
Decrease in property, plant and equipment	(19 135 564)
Decrease in payables from exchange transactions	6 749 494
Increase in payables from non-exchange transactions	(1 361 067)
Decrease in VAT payable	5 632 286
Decrease in current provisions	(19 517 956)
Increase in non-current provisions	23 071 653
	-

Statement of financial performance	
Decrease in service charges and rentals	5 004 149
Decrease in interest received	221 429
Decrease in property rates income	19 614
Decrease in gains on disposal of assets	5 669 877
Increase in acturial gains	(1 457 379)
Increase depreciation and amortisation	887 425
Decrease in impairment losses	(1 068 909)
Increase in finance costs	1 970 806
Increase in repairs and maintenance	15 688
Increase in contracted services	6 816 951
Decrease in general expenses	(7 541 968)
	10 537 683

Receivables

During the year, the municipality identified that a portion of the Transnet outstanding balance had been incorrectly written off twice. The debt written off related to the water account. Since the water function was transferred to the Chris Hani District Municipality during the 2014/2015 financial year, the municipality had no right to those debts. This error was deemed to be before 1 July 2016.

	2017 Restated	Previously reported	Change
Gross rental debtors	6 603 797	7 679 485	(1 075 688)
Gross rates receivables	71 055 667	71 104 385	(48 718)
Gross electricity debtors	35 888 055	43 592 685	(7 704 630)
Gross refuse debtors	60 691 045	60 695 770	(4 725)
Allowance for impairment on electricity debtors	(10 950 295)	(7 691 257)	(3 259 038)
	163 288 269	**175 381 068**	**(12 092 799)**

VAT

After investigation and assessment of the vatable supplies and the VAT balances at the end of the current and prior financial year, management concluded that the debtors provisional VAT account was overstated. This vote represents the VAT on outstanding debtors. In the current and prior year, this balance far exceeded the value of the VAT portion of outstanding debtors balances. The movement of each year was tested and found to represent the movement of vatable supplies and for this reason, management concluded that the overstatement occurred before 1 July 2016.

Notes to the Annual Financial Statements

52. Prior period errors (continued)

	2017 Restated	Previously reported	Change
VAT Payable	6 142 704	10 029 860	(3 887 156)

Investment property

Per inspection of the investment property register the municipality noted that certain vacant land properties were incorrectly classified as investment property. The municipality further identified additional properties which was not capitalised as investment property. Both these errors were deemed to be before 1 July 2016.

	2017 Restated	Previously reported	Change
Investment property	37 051 000	37 825 500	(774 500)

Property, plant and equipment

Per inspection of the infrastructure register, the municipality noted that certain electrical assets were incorrectly capitalised by the municipality. Although these assets are located in the municipal area, these asset are controlled and owned by Eskom. This error was deemed to have occurred before 1 July 2016.

Cost	**2017 Restated**	**Previously reported**	**Change**
Land	41 276 174	35 849 979	5 426 195
Plant and machinery	1 973 477	1 708 642	264 835
Furniture and fittings	5 069 810	4 183 933	885 877
Motor vehicles	19 794 830	15 157 593	4 637 237
Office equipment	477 157	-	477 157
Computer equipment	4 085 522	3 733 170	352 352
Infrastructure	1 105 823 213	1 135 079 018	(29 255 805)
Landfill sites	26 198 099	27 267 010	(1 068 911)
	1 204 698 282	**1 222 979 345**	**(18 281 063)**

Accumulated depreciation	**2017 Restated**	**Previously reported**	**Change**
Plant and machinery	(629 985)	(523 412)	(106 573)
Furniture and fittings	(1 810 519)	(1 468 455)	(342 064)
Motor vehicles	(7 963 394)	(5 626 408)	(2 336 986)
Office equipment	(169 971)	-	(169 971)
Computer equipment	(1 467 244)	(1 294 907)	(172 337)
Infrastructure	(94 139 665)	(95 344 184)	1 204 519
Landfill sites	(26 198 099)	(27 267 010)	1 068 911
	(132 378 877)	**(131 524 376)**	**(854 501)**

Net book value	**2017 Restated**	**Previously reported**	**Change**
Land	41 276 174	35 849 979	5 426 195
Plant and machinery	1 343 492	1 185 230	158 262
Furniture and fittings	3 259 291	2 715 478	543 813
Motor vehicles	11 831 436	9 531 185	2 300 251
Office equipment	307 186	-	307 186
Computer equipment	2 618 278	2 438 263	180 015
Infrastructure	1 011 683 548	1 039 734 834	(28 051 286)
Landfill sites	-	-	-
	1 072 319 405	**1 091 454 969**	**(19 135 564)**

Notes to the Annual Financial Statements

52. Prior period errors (continued)

Provisions

Due to the process the municipality has to follow in order to commence the rehabilitation process of the landfill sites, management have determined that the provision should be reclassified as non-current. In addition, the provision was revalued to take the additional time into account.

Current provisions	2017 Restated	Previously reported	Change
Rehabilitation of landfill site - Opening balance	-	24 831 540	(24 831 540)
Rehabilitation of landfill site - Additions	-	1 793 810	(1 793 810)
Rehabilitation of landfill site - Closing balance	-	26 625 350	(26 625 350)

Non-current provisions	2017 Restated	Previously reported	Change
Rehabilitation of landfill site - Opening balance	22 558 226	-	22 558 226
Rehabilitation of landfill site - Additions	513 426	-	513 426
Rehabilitation of landfill site - Closing balance	23 071 652	-	23 071 652

Commitments

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

Authorised Capital Expenditure	2017 Restated	Previously reported	Change
Already contracted for but not provided for			
Community buildings	6 760 036	6 760 036	-
Infrastructure	7 186 612	10 496 298	(3 309 686)
Other	3 458 686	-	3 458 686
Total capital commitments	**17 405 334**	**17 256 334**	**149 000**

Unauthorised expenditure

During the current financial year, the municipality changed the disclosure of unauthorised expenditure to reflect it by function rather than by nature in order to conform to standard practice. This change has resulted in a difference in the value of the reported unauthorised expenditure. The key reason for the difference arises if the budget by function differs to the actual by function for the same nature of expenditure. The most significant difference relates to depreciation and changes in the impairment provision for debtors. In addition, as a result of prior period changes, reported unauthorised expenditure has changed.

	2017 Restated	Previously reported	Change
Overspending on employee related and councillor costs	-	2 320 788	(2 320 788)
Greater than anticipated impairment losses	-	8 102 566	(8 102 566)
Overspending on interest costs	-	8 979 211	(8 979 211)
Overspending on repairs and maintenance	-	347 999	(347 999)
Actuarial losses not considered in the budget	-	166 292	(166 292)
Overspending on grants and transfers	-	626 543	(626 543)
Executvie Mayor and Council	11 443 288	-	11 443 288
Finance	1 330 731	-	1 330 731
Municipal Manager	12 249 229	-	12 249 229
	25 023 248	**20 543 399**	**4 479 849**

Notes to the Annual Financial Statements

53. Contingencies

Contingent liabilities

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

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

*Inxuba Yethemba Local Municipality vs Susanna Salomina Holme*s - This is a claim relates to a motor vehicle collision, which took place on 27 October 2014. The Plaintiff alleges that the Municipality was negligent by not maintaining the roadway in a proper manner. The matter was reported to the municipality's insurer. The insurer will cover the cost of the claim. The insurers' appointed their own attorney who has subsequently taken over the claim. The case was heard in May 2018 and the plaintiff was awarded 70% of costs incurred. The extent of the costs are still to be determined and for this reason no value can be reported. Legal fees outstanding amount to R 22 724.

Inxuba Yethemba Local Municipality vs Strydom and Kroqwana - The Plaintiff instituted a claim against the municipality in respect of penalties it alleges the municipality raised in an unlawful manner. No trial date has been allocated and the matter seems to be capable of settlement. The total exposure is estimated to be R 800 971 as claimed by the Plaintiff. Legal fees are estimated to be R 77 372.

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

Inxuba Yethemba Local Municipality vs Nelio Benedito - The Plaintiff initiated a claim against the municipality for defamation resulting from an averred disconnection of the electricity supply to his property in Middelburg. The claim is estimated to be R 75 000. Pleadings have just closed and no court date have been allocated to date.

Contingent assets

H M Russel CC; Gordon, Verhoef & Krause (EP) (Pty) Ltd and Miltek Industries South Africa (Pty) Ltd vs Inxuba Yethemba Local Municipality - The claim emanates from damages suffered by the Municipality as a result of the failure of the town hall roof. The matter is still in its initial stages. The matter is being conducted in the Grahamstown High Court and a summons was initially issued against the defendants for an amount of R 500 000 but this amount will be amended to a claim in excess of R 5 000 000 being the estimated costs involved in the repairs to the Town Hall Roof. Pleadings in regard to this matter has not yet closed.

Notes to the Annual Financial Statements

54. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 060 682	2 060 682
Other receivables from non-exchange transactions	11 923 888	11 923 888
Consumer debtors	20 052 342	20 052 342
Cash and cash equivalents	1 850 355	1 850 355
	35 887 267	**35 887 267**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	118 629 685	118 629 685
Consumer deposits	1 403 105	1 403 105
Unspent conditional grants	1 700 025	1 700 025
Payables from non-exchange transactions	3 752 433	3 752 433
	125 485 248	**125 485 248**

2017 restated

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 288 084	2 288 084
Other receivables from non-exchange transactions	6 994 287	6 994 287
Consumer debtors	26 562 647	26 562 647
Cash and cash equivalents	2 123 273	2 123 273
	37 968 291	**37 968 291**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	80 814 165	80 814 165
Consumer deposits	1 324 396	1 324 396
Payables from non-exchange transactions	1 361 067	1 361 067
Unspent conditional grants	10 774 576	10 774 576
	94 274 204	**94 274 204**

Notes to the Annual Financial Statements

55. Related parties

Relationships	
Section 57 managers (2018 only)	
Municipal Manager (July 2017)	Tantsi, MS
Municipal Manager (April 2018 to June 2018)	Msweli, XW
Acting Municipal Manager (August 2017 to March 2018)	Mulaudzi, KL
Director of Local Economic Development	Lojiyasi, L
Director of Corporate Services	Mbebe, MWM
Director of Community Services (May 2018 to June 2018)	Twalo, NL
Acting Director of Community Services (August 2017 to April 2018)	Matoto, TE
Chief Finance Officer (July 2017 to August 2017 & May 2018 to June 2018)	Mulaudzi, KL
Acting Chief Financial Officers (September 2017 to March 2018)	De Jager, F
Director of Technical Services	Ahlschlager, AR
Members of council (2018 only)	
Mayor	Shweni, ZR
Speaker	Nortje, MM
Executive committee member	Bobo, TE
Executive committee member	Davids, L
Executive committee member	Masawe, SV
Executive committee member	Mgeza, G
MPAC Chairperson	Bene, V
Councillor	Desha, M
Councillor	Diamond, C
Councillor	Featherstonehaugh, MH
Councillor	Goniwe, S
Councillor	Holster, S
Councillor	Lawens, BL
Councillor	Lottering, R
Councillor	Msali, TM
Councillor	Mankamani, ZA
Councillor	Sammy, CA
Councillor	Vorster, HB

Notes to the Annual Financial Statements

55. Related parties (continued)

Remuneration of councillors and management

2018

Position and name	Counsillors' allowance	Other allowances	Total
Mayor - Shweni, ZR	604 831	255 748	860 579
Speaker - Nortje, MM	636 731	50 031	686 762
Executive committee member - Bobo, TE	454 024	192 950	646 974
Executive committee member - Davids, L	333 018	47 690	380 708
Executive committee member - Masawe, SV	253 691	127 090	380 781
Executive committee member - Mgeza, G	333 018	47 933	380 951
MPAC Chairperson - Bene, V	323 242	47 557	370 799
Councillor - Desha, M	251 699	47 087	298 786
Councillor - Diamond, C	251 877	46 831	298 708
Councillor - Featherstonehaugh, MH	251 877	47 078	298 955
Councillor - Goniwe, S	251 877	46 969	298 846
Councillor - Holster, S	251 877	46 931	298 808
Councillor - Lawens, BL	251 877	47 201	299 078
Councillor - Lottering, R	251 877	47 225	299 102
Councillor - Msali, TM	251 877	46 831	298 708
Councillor - Mankamani, ZA	251 877	46 831	298 708
Councillor - Sammy, CA	250 321	47 170	297 491
Councillor - Vorster, HB	253 432	47 055	300 487
	5 709 023	**1 286 208**	**6 995 231**

Notes to the Annual Financial Statements

55. Related parties (continued)

2017

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

Notes to the Annual Financial Statements

55. Related parties (continued)

Executive management

2018

Position	Name	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager (July 2017)	Tantsi, MS	155 909	2 080	41 518	199 507
Acting Municipal Manager (August 2017 to March 2018) (*)	Mulaudzi, KL	996 143	12 725	184 145	1 193 013
Municipal Manager (April 2018 to June 2018)	Msweli, XW	265 864	9 212	117 661	392 737
Director of Local Economic Development	Lojiyasi, L	821 070	12 189	251 722	1 084 981
Director of Corporate Services	Mbebe, MWM	703 189	10 090	283 992	997 271
Acting director of Community Services (August 2017 to April 2018) (**)	Matoto, TE	165 000	7 908	106 987	279 895
Director of Community Services (May 2018 to June 2018)	Twalo, NL	837 458	69 739	76 404	983 601
Chief Finance Officer (July 2017 to August 2017 & May 2018 to June 2018) (*)	Mulaudzi, KL	274 051	3 923	92 267	370 241
Acting Chief Financial Officer (September 2017 to March 2018) (**)	De Jager, F	542 549	59 815	33 096	635 460
Director of Technical Services	Ahlschlager, AR	916 963	12 353	155 829	1 085 145
		5 678 196	**200 034**	**1 343 621**	**7 221 851**

55. Related parties (continued)

2017

Position	Name	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager	Tantsi, MS	935 454	12 479	249 107	1 197 040
Director of Local Economic Development	Lojiyasi, L	736 157	13 444	462 176	1 211 777
Director of Corporate Services	Sigenu, BT	645 459	7 891	140 815	794 165
Acting director of Corporate Services (April 2017 to June 2017) (**)	Matoto, TE	99 585	20 927	158 597	279 109
Director of Community Services	Majiba, NT	597 589	8 127	217 132	822 848
Chief Finance Officer (April 2017 to June 2017)	Mulaudzi, KL	210 345	12 252	109 782	332 379
Acting Chief Financial Officer (July 2016 to March 2017) (**)	Hanana, LS	187 910	57 733	464 199	709 842
Acting director of Technical Services	Ahlschlager, AR	777 616	10 660	126 000	914 276
		4 190 115	**143 513**	**1 927 808**	**6 261 436**

(*) The remuneration earned by this manager was split between the remuneration earned while in the position as acting municipal manager and remuneration earned while in the position as chief financial officer.

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