GERT SIBANDE DISTRICT MUNICIPALITY
Financial statements
for the year ended 30 June 2018

General Information

Legal form of entity	**District Municipality**
Nature of business and principal activities	**A Category C Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (DC30) and Section 155(c) of the Constitution of the Republic of South Africa, 1996.**
The following is included in the scope of operation	**Local Government - Service Delivery in Mpumalanga**
Speaker	**Nkosi JM**
Executive Mayor	**Chirwa MG**
Chief Whip	**Nkosi SGT**
Mayoral committee	**Buthelizi BM Dhlamini ES Masina LL Nhlapo NS Nhlengethwa DG Sekhonde BG**
Councillors	**Botha C Brussow JLI De Ville JR De Vries GR Dlamini LBR Greyling GS Joubert LK Karim LS Khumalo MJ Khumalo MS Kubheka MN Maboa-Boltman NF Maboea SA Madonsela ME Makhubu ML Makola MB Malatsi PV Masondo TS Mathebula SB Mazibuko KD Mbhele JS Mlotshwa TL Mkhaliphi BJ Mkwanazi CB Mtshali BH Motha VM Ngubeni A Ngwenya M Ngxonono TY Nkosi BG Nkosi DP Nkosi KP Nkosi MJ Nkosi MS Nkosi VL Sebolela JD Sibanyoni SI Sibeko PT Zulu TSM**
Grading of local authority	**3**

General Information

Chief Finance Officer (CFO)	**Buthelezi ZR**
Accounting Officer	**Habile CA**
Registered office	**Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351**
Business address	**Cnr Joubert & Oosthuise Street Ermelo Mpumalanga 2351**
Postal address	**PO Box 1748 Ermelo Mpumalanga 2350**
Bankers	**FNB**
Auditors	**Auditor General Of South Africa**
Attorneys	**Panel of attorneys**

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

Abbreviations

COGTA	Mpumalanga Provincial Department of Co-operative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Account
MPAC	Municipal Public Accounts Committee
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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.e financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the on 31 August 2018 and were signed on its behalf by:

Habile CA
Municipal Manager

Ermelo

Friday, 31 August 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Notes	2018	2017 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	148 030 747	91 296 278
Inventories	4	81 052 857	86 937 423
Other financial assets - investments	5	-	80 000 000
Receivables from exchange transactions	6	3 680 983	3 697 090
Receivables from non-exchange transactions	11	30 264	-
VAT receivable	7	21 480 372	23 443 834
		254 275 223	**285 374 625**
Non-Current Assets			
Heritage assets	8	159 250	159 250
Intangible assets	9	215 134	322 627
Property, plant and equipment	10	303 947 275	297 374 243
Receivables from non-exchange transactions	11	1 253 046	1 021 856
		305 574 705	**298 877 976**
Total Assets		**559 849 928**	**584 252 601**
Liabilities			
Current Liabilities			
Finance lease obligation	12	1 216 951	742 213
Payables from exchange transactions	13	62 465 317	82 838 236
Provisions	14	2 987 331	3 225 227
Unspent conditional grants and receipts	15	4 022 260	24 247 452
		70 691 859	**111 053 128**
Non-Current Liabilities			
Finance lease obligation	12	1 281 170	1 879 609
Provisions	14	4 856 855	4 577 548
Retirement benefit obligation	16	741 216	755 964
		6 879 241	**7 213 121**
Total Liabilities		**77 571 100**	**118 266 249**
Net Assets		**482 278 828**	**465 986 352**
Accumulated surplus		482 278 828	465 986 351

* See Note 34

Statement of Financial Performance

Figures in Rand	Notes	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Fair value adjustments		-	4 330 992
Gain on disposal of assets and liabilities		93 114	-
Interest received - investment	17	16 346 681	14 853 282
Other income	18	476 638	485 174
Health income		285 092	206 176
Service charges	19	2 629 338	2 794 364
Total revenue from exchange transactions		**19 830 863**	**22 669 988**
Revenue from non-exchange transactions			
Public contributions and donations		-	530 543
Transfers and Subsidies - Received	20	431 698 560	358 478 445
Total revenue from non-exchange transactions		**431 698 560**	**359 008 988**
Total revenue		**451 529 423**	**381 678 976**
Expenditure			
Depreciation and amortisation	21	(19 717 453)	(17 835 915)
Employee related costs	22	(130 754 071)	(111 194 694)
Finance costs	23	(1 137 750)	(665 209)
Lease rentals on operating lease	24	(126 100)	(497 620)
Loss on disposal of assets and liabilities		-	(230 890)
Operating Costs	25	(58 568 230)	(46 030 387)
Remuneration of councillors	26	(12 527 187)	(11 593 628)
Transfers and Subsidies - Paid	27	(212 406 157)	(93 150 386)
Total expenditure		**(435 236 948)**	**(281 198 729)**
Surplus for the year		**16 292 475**	**100 480 247**

* See Note 34

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**365 506 104**	**365 506 104**
Changes in net assets		
Surplus for the year	100 480 247	100 480 247
Total changes	100 480 247	100 480 247
Restated* Balance at 01 July 2017	**465 986 353**	**465 986 353**
Changes in net assets		
Surplus for the year	16 292 475	16 292 475
Total changes	16 292 475	16 292 475
Balance at 30 June 2018	**482 278 828**	**482 278 828**

* See Note 34

Cash Flow Statement

Figures in Rand	Notes	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		285 092	206 176
Grants		411 473 368	367 694 108
Interest income		16 344 148	14 830 838
Other receipts		2 674 929	3 279 538
		430 777 537	386 010 660
Payments			
Employee costs		(143 239 847)	(122 395 068)
Suppliers		(283 609 686)	(170 048 135)
Finance costs		(714 337)	-
		(427 563 870)	(292 443 203)
Net cash flows from operating activities	28	**3 213 667**	**93 567 457**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(25 548 044)	(6 372 359)
Proceeds from sale of property, plant and equipment	10	-	120 000
Purchase of financial assets		80 000 000	(80 000 000)
Purchase of other		-	(345 136)
Net cash flows from investing activities		**54 451 956**	**(86 597 495)**
Cash flows from financing activities			
Finance lease payments		(931 155)	(317 936)
Net increase/(decrease) in cash and cash equivalents		**56 734 468**	**6 652 026**
Cash and cash equivalents at the beginning of the year		91 296 278	84 644 252
Cash and cash equivalents at the end of the year	3	**148 030 746**	**91 296 278**

* See Note 34

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 500 000	700 000	**2 200 000**	2 629 338	**429 338**	More laboratory testing had to be done than anticipated.
Health income	400 000	-	**400 000**	285 092	**(114 908)**	Not material
Other income	372 640	57 530	**430 170**	476 638	**46 468**	Not material
Interest received - investment	7 000 000	7 285 000	**14 285 000**	16 346 681	**2 061 681**	Increased in conditional grants resulting in more investments made which attracted more interest
Total revenue from exchange transactions	**9 272 640**	**8 042 530**	**17 315 170**	**19 737 749**	**2 422 579**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	411 612 000	24 108 000	**435 720 000**	431 698 560	**(4 021 440)**	Some of the projects are multi year therefore included in the inventory not expenditure.
Total revenue	**420 884 640**	**32 150 530**	**453 035 170**	**451 436 309**	**(1 598 861)**	
Expenditure						
Personnel	(138 988 000)	2 965 849	**(136 022 151)**	(130 754 071)	**5 268 080**	Some of the vacant positions could not be filled in time resulting in savings on personnel expenditure
Remuneration of councillors	(13 282 370)	631 830	**(12 650 540)**	(12 527 186)	**123 354**	Not material
Depreciation and amortisation	(18 281 000)	(1 737 000)	**(20 018 000)**	(19 717 741)	**300 259**	Some of the budgeted assets were purchased later in the year than budgeted for.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reasons for material variances
Finance costs	-	(650 000)	**(650 000)**	(1 137 750)	**(487 750)**	More finance lease transactions entered into by the municipality.
Lease rentals on operating lease	-	(3 068 000)	**(3 068 000)**	(126 100)	**2 941 900**	
Grants and subsidies	(255 407 325)	29 748 520	**(225 658 805)**	212 406 157	**438 064 962**	Some of the projects done on behalf of local municipalities has not been completed therefore included in inventory until completed and transferred.
General expenses	(57 006 660)	(3 977 989)	**(60 984 649)**	(58 568 230)	**2 416 419**	Earlier implementation of cost containment measures.
Total expenditure	**(482 965 355)**	**23 913 210**	**(459 052 145)**	**(10 424 921)**	**448 627 224**	
Operating surplus	**(62 080 715)**	**56 063 740**	**(6 016 975)**	**441 011 388**	**447 028 363**	
Gain on disposal of assets and liabilities	-	-	**-**	93 114	**93 114**	Not material
Surplus before taxation	**(62 080 715)**	**56 063 740**	**(6 016 975)**	**441 104 502**	**447 121 477**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(62 080 715)**	**56 063 740**	**(6 016 975)**	**441 104 502**	**447 121 477**	

Accounting Policies for the year ended

1. Presentation of Financial Statements

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

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

The District has finilised and prepared the annual financial statements on version 6.1 of mSCOA. Items were reclassified and renamed in terms of mSCOA.

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for al ist assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies for the year ended

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 16.

1.3 Cash and cash equivalents

Cash and cash equivalents are measured at their fair value.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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.

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.

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

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

Item	Depreciation method	Average useful life
Land		Indifinite

1.4 Property, plant and equipment (continued)

Buildings		
• Office Building	Straight line	30
• Laboratories	Straight line	30
• Disaster centres	Straight line	30
Plant and equipment	Straight line	5
Furniture and fixtures		
• Office furniture	Straight line	7
• Elavator system	Straight line	20
• Transformer	Straight line	50
Motor vehicles		
• Motor vehicles	Straight line	7
• Construction vehicles	Straight line	10
Office equipment	Straight line	7
IT equipment	Straight line	5
Lab equipment	Straight line	7
Communication equipment	Straight line	2
Park facilities		
• Public parking	Straight line	30
• Carports/garages/shelters	Straight line	15
Lease copiers	Straight line	3
Specialised vehicles		
• Emergency vehicles	Straight line	12
Heritage		Indefinite

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

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

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 municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

1.5 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	5 Years

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

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended

1.6 Heritage assets (continued)

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses 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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

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

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

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

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

1.7 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;

Accounting Policies for the year ended

1.7 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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.

Financial assets measured at amortised cost:

1.7 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Accounting Policies for the year ended

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

1.9 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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.

1.10 Impairment of non-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.

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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

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.

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the 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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the 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 (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies for the year ended

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

Reversal of an impairment loss

The municipality assesses 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.

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

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

1.11 Accumulated reserves

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

1.12 Study bursary assets

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the municipality, is included in equity.

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

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

1.13 Employee benefits

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

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

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

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

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

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

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

Accounting Policies for the year ended

1.13 Employee benefits (continued)

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies for the year ended

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies for the year ended

1.13 Employee benefits (continued)

Termination benefits

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

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

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

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

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

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.15 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 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.

Interest, royalties and dividends

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Accounting Policies for the year ended

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Investment income

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

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

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

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

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

1.22 Irregular expenditure (continued)

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

1.23 Budget information

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

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

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

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

The 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 Related parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

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:

1.25 Events after reporting date (continued)

- 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.

1.26 Value Added Tax

The municipality accounts for value added taxation on the payment basis

1.27 Offsetting

Assets, liabilities, revenue and expenses have not been offsetted when offsetting is required or permitted by a Standard of GRAP

2. New standards and interpretations

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

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

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

Notes to the Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

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

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 20: Related parties

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

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

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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 standard is not yet set by the Minister of Finance.

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

The impact of this standard is currently being assessed.

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

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

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the interpretation will have a material impact on the municipality's 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 2019 financial statements.

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

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 not yet set by the Minister of Finance.

2. New standards and interpretations (continued)

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

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

Notes to the Financial Statements

Figures in Rand	2018	2017

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 100	8 100
Bank balances	148 022 647	91 288 178
	148 030 747	**91 296 278**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	**30 June 2017**	**30 June 2016**	**30 June 2018**	**30 June 2017**	**30 June 2016**
ABSA BANK - Current Account - 010-5397-1462	3 301 021	24 506 882	18 486 736	3 302 475	24 506 882	84 363 124
ABSA BANK - Call Account - 40-6821-1572	-	-	65 881 806	-	-	-
NEDBANK - Current Account - 1454106999	-	-	275 527	-	-	275 527
FNB BANK - Current Account - 62638396334	25 373 183	17 163 959	-	144 624 910	66 781 296	-
FNB BANK - Call Type - 62613777848	119 149 124	50 162 177	-	-	-	-
Total	**147 823 328**	**91 833 018**	**84 644 069**	**147 927 385**	**91 288 178**	**84 638 651**

4. Inventories

Work in progress	80 892 356	86 795 959
Inventories operational	160 501	141 464
	81 052 857	**86 937 423**

Work in process

GSDM is the implementing agent on behalf of the Department of Water and Sanitation for projects in Chief Albert Luthuli, Msukaligwa and Dipaleseng Local Municipalities in terms of the gazetted DORA Grant allocations that were transferred to GSDM. These projects are uncompleted multi year projects and have been accounted for as inventory.

Inventories operational

Inventory stock have been maintained throughout the financial year relating to the printing and stationery needs of all departments.

Inventory pledged as security

No inventory was pledged as security

5. Other financial assets - investments

At amortised cost		
Investments are all at amortised cost	-	80 000 000

Current assets		
Investments at approved financial institutions	-	80 000 000

Notes to the Financial Statements

Figures in Rand	2018	2017

6. Receivables from exchange transactions

Other receivables	3 464 550	3 646 446
Deposits	28 200	28 200
Accrued interest	2 533	22 444
Insurance debtor	185 700	-
	3 680 983	**3 697 090**

Credit quality of Receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of Receivables from exchange transactions

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R2,756,805 - (2017: R3,697,090 -) were past due but not impaired.

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

7. VAT receivable

VAT	21 480 372	23 443 834

8. Heritage assets

	2018			2017		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Mayoral Chain and portraits	159 250	-	159 250	159 250	-	159 250

Reconciliation of heritage assets - June 2018

	Opening balance	**Total**
Mayoral chain and portraits	159 250	159 250

Reconciliation of heritage assets - June 2017

	Opening balance	**Revaluation increase/(decrease)**	**Total**
Mayoral chain and portraits	154 250	5 000	159 250

Notes to the Financial Statements

Figures in Rand	2018	2017

9. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 253 486	(1 038 352)	215 134	1 253 486	(930 859)	322 627

Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Total
Computer software	322 627	(107 493)	215 134

Reconciliation of intangible assets - June 2017

	Opening balance	Amortisation	Total
Computer software	1 253 486	(930 859)	322 627

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	345 575 077	(85 733 901)	259 841 176	336 483 323	(73 413 438)	263 069 885
Furniture and fixtures	10 849 618	(6 400 366)	4 449 252	10 614 612	(5 273 352)	5 341 260
IT equipment	13 504 222	(6 508 436)	6 995 786	9 251 265	(4 346 958)	4 904 307
Land	360 000	-	360 000	360 000	-	360 000
Motor vehicles	32 070 571	(16 757 804)	15 312 767	26 058 453	(14 485 386)	11 573 067
Plant and equipment	27 442 100	(10 453 806)	16 988 294	21 343 473	(9 217 749)	12 125 724
Total	**429 801 588**	**(125 854 313)**	**303 947 275**	**404 111 126**	**(106 736 883)**	**297 374 243**

Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Buildings	263 069 885	9 091 752	-	(11 266 520)	-	260 895 117
Furniture and fixtures	5 341 260	270 960	(27 238)	(1 146 120)	10 390	4 449 252
IT equipment	4 904 307	4 426 586	(80 956)	(2 290 508)	36 357	6 995 786
Land	360 000	-	-	-	-	360 000
Motor vehicles	11 573 067	6 468 000	(111 200)	(2 617 100)	-	15 312 767
Plant and equipment	12 125 724	6 098 200	-	(2 290 018)	-	15 933 906
	297 374 243	**26 355 498**	**(219 394)**	**(19 610 266)**	**46 747**	**303 946 828**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2017

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment reversal	Total
Buildings	273 517 696	2 239 226	-	-	(12 881 602)	-	263 070 33
Furniture and fixtures	2 553 039	726 354	(20 982)	3 041 912	(978 227)	19 164	5 341 26
IT equipment	1 988 461	3 192 878	(212 143)	925 986	(1 130 395)	139 520	4 904 30
Land	360 000	-	-	-	-	-	360 00
Motor vehicles	11 294 219	2 746 612	(710 400)	-	(2 191 316)	433 952	11 573 06
Plant and equipment	11 704 409	654 380	-	358 080	(591 145)	-	12 125 72
	301 417 824	**9 559 450**	**(943 525)**	**4 325 978**	**(17 772 685)**	**592 636**	**297 374 69**

Pledged as security

The municipality do not have assets pledged as security:

Remaining useful life extension

Reconciliation of Work-in-Progress - June 2018

	Included within PPE - buildings	Total
Opening balance	4 797 505	4 797 505
Additions/capital expenditure	9 091 754	9 091 754
	13 889 259	**13 889 259**

Reconciliation of Work-in-Progress - June 2017

	Included within PPE - buildings	Total
Opening balance	2 558 279	2 558 279
Additions/capital expenditure	2 239 226	2 239 226
	4 797 505	**4 797 505**

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.

11. Receivables from non-exchange transactions

	2018	2017
Study bursaries	1 253 046	1 021 856
Other debtors	30 264	-
	1 283 310	**1 021 856**

	2018	2017
Non-current assets	1 253 046	1 021 856
Current assets	30 264	-
	1 283 310	**1 021 856**

Notes to the Financial Statements

Figures in Rand	2018	2017

12. Finance lease obligation

Minimum lease payments due		
- within one year	1 701 631	1 364 793
- in second to fifth year inclusive	1 439 835	2 411 652
	3 141 466	3 776 445
less: future finance charges	(643 345)	(1 154 623)
Present value of minimum lease payments	**2 498 121**	**2 621 822**
Present value of minimum lease payments due		
- within one year	1 216 951	742 213
- in second to fifth year inclusive	1 281 170	1 879 609
	2 498 121	**2 621 822**
Non-current liabilities	1 281 170	1 879 609
Current liabilities	1 216 951	742 213
	2 498 121	**2 621 822**

Gert Sibande District Municipality lease certain computer equipment under finance leases from Vodacom and Nashua.

The average lease term was 2-3 years and the average effective borrowing rate was 10.5% (2017: 10.5%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

13. Payables from exchange transactions

Accrual payables	29 194 420	62 168 777
Health payments	-	24 743
Other creditors	5 361	381 200
Retentions	22 446 347	11 279 339
Staff leave pay	10 819 189	8 984 177
	62 465 317	**82 838 236**

14. Provisions

Reconciliation of provisions - June 2018

	Opening Balance	Additions	Reversed during the year	Total
Provision for staff bonuses	2 253 565	2 604 350	(2 253 565)	2 604 350
Provision for performance bonuses	971 662	382 981	(971 662)	382 981
Provision for long service awards	4 577 548	279 307	-	4 856 855
	7 802 775	**3 266 638**	**(3 225 227)**	**7 844 186**

Reconciliation of provisions - June 2017

	Opening Balance	Additions	Reversed during the year	Total
Provision staff bonuses	2 005 067	2 253 565	(2 005 067)	2 253 565
Provision performance bonuses	595 418	625 742	(249 498)	971 662
Provisions for long service awards	4 327 000	250 548	-	4 577 548
	6 927 485	**3 129 855**	**(2 254 565)**	**7 802 775**

	2018	2017
Non-current liabilities	4 856 855	4 577 548
Current liabilities	2 987 331	3 225 227
	7 844 186	**7 802 775**

Provision for staff bonuses

Staff bonus to employees is in accordance with the collective bargaining agreement. Provision is made for the full cost of accrued bonuses at reporting date. The provision will be realised as employees bonuses are paid out. Additional relates to full financial impact per department for the period under review.

Provision for performance bonuses

Performance bonuses are being paid to the Accounting Officer and Genaral Managera after evaluation of performance.

Provision for long service awards

Benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in servce. The leave days awarded have been converted to a persentage of annual salary to the next interval by allowing for future salary growth.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2018	2017
Rural roads asset management systems grant	-	138 632
Infrastructure skills development grant	140 298	-
Department of water and sanitation	3 881 962	24 108 820
	4 022 260	**24 247 452**

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

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

See note 20 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2018	2017

15. Unspent conditional grants and receipts (continued)

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

16. Retirement benefit obligations

Defined benefit plan

Post retirement medical aid plan
The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age last birthday on 30 June 2016

The Project Unit Credit Method was used as prescribed bt GRAP 25. The method is based on the approximation that the post-retirement benefit is normally built up over the employee`s working life.

The actuarial valuation of PRMA liability involves the following:

The projection of future post retirement medical contributions subsidy cashflow, taking into account probabilities of survival withdraw, ill-health retirement and death in service. The medical contribution subsidies in respect of the audit depedants of employees, increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in the current Rand terms.

The amount represents the municipality`s liability for post-employment medical aid benefit for the two remaining pensioners under the new defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

Employees of the municipality belong to the approved Pension Funds. These are defined contribution plans. The municipality has no legal or contractual obligation to pay further contributions. Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable.

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

Carrying value		
Balance at 1 July	(755 964)	(724 000)
Contributions paid	78 052	73 295
Interest costs	(63 304)	(63 000)
Actuarial gain	-	(42 259)
	(741 216)	**(755 964)**

17. Interest received - investments and other receivables

Interest revenue		
Bank	16 162 396	14 727 805
Interest recieved receivables	184 285	125 477
	16 346 681	**14 853 282**

18. Other income

LG Seta	194 944	215 506
Tender deposits	11 864	34 868
Refund telephone	73 004	72 158
Sundry	196 826	162 642
	476 638	**485 174**

19. Service charges

Water testing services	2 629 338	2 794 364

Notes to the Financial Statements

Figures in Rand	2018	2017

20. Transfers and Subsidies - Received

EPWP grant	4 459 000	3 113 000
COGTA	-	1 097 159
Data cleansing grant	-	233 806
Department of water and sanitation(DWS)	139 744 858	69 394 688
Equitable share	10 369 000	12 494 000
Financial management grant (FMG)	1 250 000	1 250 000
Infrastructure skills development grant (ISDG)	5 359 702	5 500 000
Revenue replacement grant	268 207 000	263 261 000
Rural road asset managemnet systems grant (RAMS)	2 309 000	2 134 792
	431 698 560	**358 478 445**

Equitable Share

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

Revenue replacement grant

Current-year receipts	268 207 000	263 261 000
Transferred to revenue	(268 207 000)	(263 261 000)
	-	-

The purpose of the revenue replacement grant is to fund basic infrastructure within the areas and funding business administration costs.

Finance management grant

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

EPWP grant

Current-year receipts	4 459 000	3 113 000
Conditions met - transferred to revenue	(4 459 000)	(3 113 000)
	-	-

The purpose of the grant is to incentives provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas.

Notes to the Financial Statements

Figures in Rand	2018	2017

20. Transfers and Subsidies - Received (continued)

Road asset management grant (RAMS)

Balance unspent at beginning of year	138 632	73 424
Current-year receipts	2 309 000	2 200 000
Conditions met - transferred to revenue	(2 309 000)	(2 134 792)
Amount paid back to National Treasury	(138 632)	-
	-	**138 632**

The purpose of the grant is to assist rural district municipalities to set up rural roads asset management systems.

Infrastructure skills development grant (ISDG)

Balance unspent at beginning of year	-	1 682 723
Current-year receipts	5 500 000	5 500 000
Conditions met - transferred to revenue	(5 359 702)	(5 500 000)
Paid back	-	(1 682 723)
	140 298	**-**

Conditions still to be met - remain liabilities (see note 15)

The reason for the unspent amount relates to the appiontment of students late in the financial year and the absorbsion of the students by

The purpose of the grant is to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available.

Data cleansing Grant

Balance unspent at beginning of year	-	233 806
Conditions met - transferred to revenue	-	(233 806)
	-	**-**

The purpose of the grant is to assist municipalities with the implementation of geographic information systems and related projects.

COGTA

Balance unspent at beginning of year	-	1 097 159
Conditions met - transferred to revenue	-	(1 097 159)
	-	**-**

The purpose of the grant id to assist municipalities with reticulation interventions to improve service delivery and reduce interruptions as well as bulk supply and sanitation.

Notes to the Financial Statements

Figures in Rand	2018	2017

20. Transfers and Subsidies - Received (continued)

Department of water and sanitation (DWS)

Balance unspent at beginning of year	24 108 820	-
Current-year receipts	119 518 000	97 263 800
Conditions met - transferred to revenue	(139 744 858)	(69 394 687)
Settelment of oustanding claims from DWA	-	(3 760 293)
	3 881 962	**24 108 820**

Conditions still to be met - remain liabilities (see note 15).

The main reason for the unspent amount is as a result of planning and feasibility study that took longer then anticipating.

The purpose of the grant is to facilitate the panning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water

21. Depreciation and amortisation

Intangible assets	107 493	78 377
Property, plant and equipment	19 609 960	17 757 538
	19 717 453	**17 835 915**

22. Employee related costs

Bargaining council	23 692	20 136
Basic	83 241 167	69 538 819
Bonus	6 628 013	5 679 098
Car allowance	12 303 375	11 521 879
Group insurance	1 449 602	1 202 817
Housing benefits and allowances	872 053	747 160
Leave pay accrual charges	3 636 843	2 966 148
Medical aid - company contributions	4 954 846	4 291 249
Overtime payments	1 217 983	1 433 422
Pension fund	14 770 264	12 448 947
Telephone allowance	1 187 780	932 723
UIF	468 453	412 296
	130 754 071	**111 194 694**

Annual Remuneration of key management personnel for 2018

The following Remuneration was paid to Key Management and are included in the above employee related cost:

a. CA Habile - Employed from 1 July 2017 to 30 August 2017 and from 1 October 2017 to 30 June 2018
b. ME Thabethe - Acted as Municipal Manager from 31 August 2017 to 30 September 2017
c. AY Singh - Employed from 1 July 2017 to 30 August 2017 - contract expired
d. SJF Gates - Acted from 1 September to 3 December 2017
e. ZR Buthelezi - Appointed from 4 December 2017
f. PO Chiloane - Acted from 1 July 2017 to 31 January 2018
g. MJ Mkhonza - Appointed from 1 February 2018
h. M Barnabas - Acted from 1 July 2017 to 31 May 2018
i. NC Ndhlovu - Appointed from 4 June 2018
j. TD Hlanyane - Acted from 1 July 2017 to 31 January 2018
k. ME Michele - Appointed from 1 February 2018

Figures in Rand	2018	2017

22. Employee related costs (continued)

Position and Name	Annual remuneration	Performance bonus	Leave paid out	Acting allowance	Total
a. Municipal Manager - CA Habile	1 346 053	142 221	432 353	-	1 920 627
b. General Manager ITS - ME Thabethe	1 148 858	-	-	12 981	1 161 839
c. Chief Financial Officer - AY Singh	227 154	190 768	303 199	-	721 121
d. Acting Chief Financial Officer - SJF Gates	-	-	-	23 110	23 110
e. Chief Financial Officer - ZR Buthelezi	685 293	-	-	-	685 293
f. Acting General Manager Planning - PO Chiloane	-	-	-	18 683	18 683
g. General Manager Planning - MJ Mkhonza	423 009	-	-	-	423 009
h. Acting Genaral Manager Corporate Services - M Barnabas	-	-	-	93 475	93 475
i. General Manager Corporate Services - NC Ndhlovu	79 855	-	-	-	79 855
j. Acting General Manager CSS - TD Hlanyane	-	-	-	32 664	32 664
k. General Manger CSS - ME Michel	420 750	-	-	-	420 750
	4 330 972	**332 989**	**735 552**	**180 913**	**5 580 426**

Annual Remuneration of key management personnel for 2017

The following Remuneration was paid to Key Management and are included in the above employee related cost

All positions were filled for the 2016/2017 financial year

Position and Name	Annual remuneration	Performance bonus	Leave paid out	Acting allowance	Total
Municipal Manager - CA Habile	1 422 213	-	-	-	1 422 213
Chief Financial Officer - AY Singh	1 240 574	-	-	-	1 240 574
General Manager Planning - S Zikalala	1 240 574	-	-	-	1 240 574
General Manager Corporate Services - MS Dlamini	1 264 409	-	-	-	1 264 409
General Manager ITS - ME Thabethe	255 955	-	-	-	255 955
Genarel Manger CSS - M Kunene	1 406 336	-	-	-	1 406 336
	6 830 061	**-**	**-**	**-**	**6 830 061**

23. Finance costs

	2018	2017
Long service awards	360 109	451 000
Finance leases	714 337	151 209
Post retirement medical benefit	63 304	63 000
	1 137 750	**665 209**

Notes to the Financial Statements

Figures in Rand	2018	2017

24. Leases

This committed expenditure relates to rental of offices in Evander from Govan Mbeki LM and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

Govan Mbeki LM

Significant leasing arrangements include:
- that there is no contingent rent payment
- there is no purchase option in the rental contract and there is provision for 5% escalation per year
- there is no restrictions imposed by lease arrangement, such as return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing

Authorised operational expenditure

	2018	2017
Govan Mbeki LM		
- within one year	126 100	497 620

Rental was payable on or before the commencement date of the contract and subsequent payments was plaid or before the first day of the following month over a 36 months.

	2018	2017
Operating lease commitments - as lessee (expense)		
- within one year	126 100	497 620

25. Operating Costs

	2018	2017
Advertising	407 735	362 481
Auditors fees	3 821 323	3 722 650
Bank charges	124 904	160 298
Cleaning	962 734	935 920
Conferences and seminars	-	50 746
Legal fees	4 249 759	1 037 276
Contracted security services (Guarding of municipal property)	4 582 476	3 617 584
Entertainment	1 529 736	1 409 445
Equipment	-	304 596
IT expenses	3 176 805	669 882
Relocation cost	3 276 406	-
Motor vehicle expense	3 191 934	2 236 942
Insurance	1 056 398	1 447 033
Subscription and membership fees	1 485 264	1 506 431
Municipal and other services	3 808 465	3 814 620
Workmans compensation	762 042	755 989
Postage and courier	5 949	9 008
Printing and stationery	297 941	384 019
Protective clothing	383 136	245 912
Rental equipment	-	3 711 421
Repairs and maintenance	8 869 944	6 029 356
Royalties and license fees	2 128 806	1 923 142
Technical Support	1 964 285	1 384 037
Telephone and fax	3 354 872	2 650 362
Training	2 105 068	1 758 516
Travel - local	7 022 248	5 902 721
	58 568 230	**46 030 387**

The increase of the operating cost is mainly due to increase in legal fees relating the court cases on the matter described in the contigent liability note. In the current financial period the municipality had to pay relocation cost for some of the staff members who were relocated to Ermelo from Secunda as a results of office moves.

Figures in Rand	2018	2017

26. Remuneration of councillors

Executive Mayor	1 016 993	942 780
Mayoral Committee Members	3 187 700	3 616 509
Speaker	821 833	758 396
Councillors	3 133 024	5 363 026
Mayoral committee contributions and other allowances	2 217 260	478 043
Councillors contributions and other allowances	2 150 377	459 308
	12 527 187	**11 593 628**

In-kind benefits

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

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

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Councillors	**Basic**	**Car allowance**	**Cellphone**	**Pension, medical**	**Total**
Chirwa MG	631 309,56	242 001,98	40 800,00	102 880,05	1 016 991,59
-	**631 309,56**	**242 001,98**	**40 800,00**	**102 880,05**	**1 016 991,59**
-	-	-	-	-	-
Speaker	-	-	-	-	-
Nkosi M	505 046,75	193 601,27	4 080,00	82 385,46	785 113,48
-	**505 046,75**	**193 601,27**	**4 080,00**	**82 385,46**	**785 113,48**
-	-	-	-	-	-
Chief Whip	-	-	-	-	-
Nkosi SGT	462 208,02	18 501,22	40 800,00	-	521 509,24
-	**462 208,02**	**18 501,22**	**40 800,00**	**-**	**521 509,24**
-	-	-	-	-	-
Mayoral committ	-	-	-	-	-
Dlamini ES	454 815,76	181 501,22	40 800,00	97 744,34	774 861,32
Buthelezi BM	447 041,87	181 502,22	40 800,00	102 347,25	771 691,34
Nhlapho NS	441 054,94	181 502,22	40 800,00	100 927,64	764 284,80
Masina LL	447 041,87	181 502,22	40 800,00	102 352,91	771 697,00
Sekhonde BG	450 793,73	181 502,22	40 800,00	101 665,76	774 761,71
Nhlengethwa DG	473 481,50	181 502,22	40 800,00	78 811,24	774 594,96
-	**2 714 229,67**	**1 089 012,32**	**244 800,00**	**583 849,14**	**4 631 891,13**
-	-	-	-	-	-
Other Councillors	**3 152 630,74**	**1 189 850,72**	**434 275,36**	**432 093,44**	**5 208 850,26**

27. Transfer and subsidies paid

Other subsidies

Grant paid to local municipalities	212 406 157	93 150 386

Notes to the Financial Statements

Figures in Rand	2018	2017

28. Cash generated from operations

Surplus	16 292 475	100 480 247
Adjustments for:		
Depreciation and amortisation	19 717 453	17 835 915
Gain on disposal of assets	(93 114)	230 890
Fair value adjustments	-	(4 330 992)
Finance costs - Finance leases	423 413	151 209
Movements in retirement benefit obligation	14 748	31 964
Movements in provisions	41 411	875 290
Accrued Interest	(2 533)	(22 444)
Donated assets	-	(530 543)
Changes in working capital:		
Inventories	5 884 566	(72 016 394)
Receivables from exchange transactions	16 107	3 325 466
Movement in other receivables	(447 154)	199 276
Payables from exchange transactions	(20 372 919)	41 466 150
Movement in VAT receivable	1 964 406	(3 344 240)
Unspent conditional grants and receipts	(20 225 192)	9 215 663
	3 213 667	**93 567 457**

29. Auditors fees

Auditors fees	3 821 323	3 722 650

30. Commitments

This committed expenditure relates to property and projects as well as operational commitments and will be financed by retained surpluses, existing cash resources and funds internally generated.

Capital commitments - already contracted for but not provided for - Property, plant and equipment	19 395 603	27 686 148
Operating commitments - already contracted for but not provided for - Projects and operations	160 673 248	79 823 246
	180 068 851	**107 509 394**

31. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	2 746 601	2 746 601
Other receivables from non-exchange transactions	-	30 264	30 264
Cash and cash equivalents	148 022 646	-	148 022 646
	148 022 646	**2 776 865**	**150 799 511**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	62 473 286	62 473 286

31. Financial instruments disclosure (continued)

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3 697 090	3 697 090
Cash and cash equivalents	91 296 278	-	91 296 278
Other financial assets - investments	-	80 000 000	80 000 000
	91 296 278	**83 697 090**	**174 993 368**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	82 838 236	82 838 236

Figures in Rand	2018	2017

32. Contingencies

Contingent liabilities for the period ended 30 June 2018

Inhlakanipho Consultants-Contractual

The dispute arose out of tender 11/2007: Upgrading of Empuluzi Water Treatment Works

Plaintiff is claiming R 3 402 590. The estimated legal cost to date amounts to R 894 000. The matter was sucessfully defended and the claim was dismissed with cost. Plaintiff was granted leave to appeal.

Hlakoapitsi CC

Hlokoapitse is seeking damages of R 127 006. Judgement was received on 17 March 2015 in favour of GSDM.

Estimated legal cost is amounts to approxamitely R 200 000. Judge ruled in favour of GSDM. Plaintiff might take GSDM to trial.

Botha FR vs Mvakali SW & GSDM

Plaintiff is suing GSDM for R 24 730 as a result of a motor vehivlr accident. Estimated legal cost amounts to R 77 000. Awaiting matter to be set down for trial and witnesses.

Aqua Transport & Plant Hire vs GSDM

Plaintiff is suing council to the amount of R 47 570. The matter is before the Ermelo Magistrates court. Legal fees is estimated at R 59 000. Parties intends to settle matter out of court.

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990. The matter is before the high court (Gauteng Division Pretoria) The estimated legal fees is R 360 000 to date. The matter is set down for trial.

Vermaak N/PG Glass vs GSDM

Plaintiff is suing council to the amount of R 15 914.The matter will be in front of the Ermelo Magistrate's court under case number 2323/2017. The estimated legal fees to date amounts to R 100 000. Application for summary judgement by plaintiff was dismissed with cost. The matter is at discovery stage. There is a good prospect of successfully defending the matter.

Methula NF vs GSDM

Plaintiff suing GSDM for R 1 100 000 as a result of an accident in which plaintiff sustained bodily injuries. Legal fees to date amounts to R 380 000. Matter is in pleading stage hence prospect of defence is unknown.

Watco Consulting vs GSDM

Plaintiff is suing council to the amount of R 134 546. The estimated legal fees to date amounts to R 87 000. The matter is set down for witnesses and trial under case number 3411/2015 in the Ermelo Magistrates court

Mr. M vs GSDM

Mr. M is suing GSDM for unfair dismissal in the Labour Court. The amount is yet to be determined. The legal cost to date amounts to R 460 000. Awaiting trial date.

BDW Eiendomme CC vs GSDM/VS Nzimande

BDW Eiendomme CC is suing GSDM as a result of a motor vehicle accident. Legal council estimates financial exposure including cost to amount to R 250 000. Awaiting trial date.

Detailed information on pending cases can be obtained in the claims register of the municipality.

33. Related parties

Relationships

Accounting Officer - CA Habile	Refer to accounting officer's report.
Chief Financial Officer - ZA Buthelezi - From 1 December 2017	Management
General Manager: Corporate Services - NC Ndhlovu - From 4 June 2018	Management
General Manager: Community and Social Services - ME Michele - From 1 February 2018	Management
General Manager: Planning and Economic Development - MJ Mkhonza - From 1 February 2018	Management
General Manager:Infrastructure and Technical Services - ME Thabethe	Management

Related party transactions

	2018	2017
Contributions paid to related parties		
SALGA	1 370 450	1 438 432

Refer to note 22 for amounts paid to management.

34. Prior-year adjustments

The following adjustments were effected in the period under review:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT - receivables (1)	7	11 499 157	11 944 677	-	23 443 834
Unspend conditional grant (1)	15	12 302 775	11 944 677	-	24 247 452
Property, plant and equipment (2)	10	295 676 938	1 697 306	-	297 374 244
Payables form exchange transaction - retention (3)	13	83 022 464	(184 228)	-	82 838 236
Receivables form exchange transactions -onther receivables (1)	6	3 674 646	-	22 444	3 697 090
Receivables form non - exchange transactions -onther receivables (1)	11	22 444	-	(22 444)	-
		406 198 424	**25 402 432**	**-**	**431 600 856**

Statement of financial performance

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation (2)	21	(19 533 220)	1 697 305	-	(17 835 915)
Transfers and subsidies - paid (3)	27	(93 344 614)	184 228	-	(93 160 386)
Other Income (2)	18	3 279 538	-	(2 794 364)	485 174
Service charges (2)	19	-	-	2 794 364	2 794 364
Repairs and maintenance (3)		6 029 356	-	(6 029 356)	-
Operating cost (3)	25	40 001 030	-	6 029 356	46 030 386
Surplus for the year		**(63 567 910)**	**1 881 533**	**-**	**(61 686 377)**

Cash flow statement

2018

Errors

34. Prior-year adjustments (continued)

The following are explanations of the period errors occurred during the year under review.

The following prior period errors adjustments occurred:

Error 1

Correction of VAT wrongly paid to SARS as Output VAT on RBIG grant funds received. Grant funding are regarded as to be taxed at zero VAT (R11,944,677.19)

Error 2

Correction of depreciation wrongly calculated on machine and equipment (R1,967) and furniture and equipment (R1,695,338.41)

Error 3

Correction of retention on projects wrongly calculated and retained as retention (R184,228.47)

Error 4

Correcting of irregular expenditure wrongly reported in 2016/17 corrected as Council approved the amount to be written back in March 2017. Note for irregular expenditure was removed.

Reclassifications

The following amounts have not been reclassified as a result of the implementation of mSCOA:

Reclassification 1

Accrued interest amounting to R22,444 was previously reported as receivables form non - exchange transaction and reclassified as receivables form exchange transaction.

Reclassification 2

Service charges to the amount of R2,794,364 was reported as part of other income in 2016/17 and in the current period the item is separately reported as a line item.

Reclassification 3

Repairs and maintenance to the amount of R6,029,356 was included and reported as part of operational cost in the 2017/18 financial year

Notes to the Financial Statements

Figures in Rand	2018	2017

35. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

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 - Accrual payables	29 194 420	-	-	-
Trade and other payables - Retentions	22 446 347	-	-	-

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 - Accrual payables	62 168 777	-	-	-
Trade and other payables - Retentions	11 279 339	-	-	-

Credit risk

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

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

Financial instrument	2018	2017
Trade and other receivables from exchange transactions (At amortised cost)	2 746 601	3 697 090
Other receivables from non-exchange transactions (At amortised cost)	30 264	-
Cash and cash equivalents (At fair value)	148 022 646	91 296 278
Other financial assets - investments (At amortised cost)	-	80 000 000
Trade and other payables from exchange transactions (At amortised cost)	62 473 286	82 838 236

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.

36. Fruitless and wasteful expenditure

Add: Fruitless Expenditure - current year	1 816	-
Less: Fruitless and wasteful expenditure - recoverd	(1 816)	-
	-	-

Fruitless expenditure relates to interest that accumulated due to late payment on Telkom account.

Notes to the Financial Statements

Figures in Rand	2018	2017

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 370 450	1 438 432
Amount paid - current year	(1 370 450)	(1 438 432)
	-	-

Audit fees

Current year subscription / fee	3 821 323	3 722 500
Amount paid - current year	(3 821 323)	(3 722 500)
	-	-

PAYE, UIF and SKILLS

Current year subscription / fee	25 697 079	21 352 664
Amount paid - current year	(25 697 079)	(21 352 664)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	31 531 006	28 404 757
Amount paid - current year	(31 531 006)	(28 404 757)
	-	-

VAT

VAT receivable	21 480 372	23 443 834

VAT output payables and VAT input receivables are shown in note 7.

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

Notes to the Financial Statements

Figures in Rand	2018	2017

38. Deviations from supply chain management regulations

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

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

Deviations for 2017

The anoumt for deviations as at 30 June 2017 was R2 519 486

Deviations for 2018

The amount for deviations as at 30 June 2018 is R756 022. See details below:

Date	Supplier name	Deviation	Reasons for Deviation	Amount
14-Jul-17	CIGFARO IMFO	Only 1 quotation was obtained for training for the region	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	215 000,00
4-Aug-17	The Institute of the Internal Auditors	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	22 173,00
11-Aug-17	SAMSRA National	Only 1 quotation was obtained for payment of affiliation fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	6 000,00
17-Aug-17	ICC Durban	Only 1 quotation was obtained for training for the region	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	3 250,00

Notes to the Financial Statements

Figures in Rand	2018	2017

38. Deviations from supply chain management regulations (continued)

3-Oct-17	SALGA	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	8 000,00
4-Oct-17	IMFO	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	7 499,00
4-Oct-17	IMFO	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	27 562,00
4-Oct-17	Library & Information Association	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	10 650,00
5-Oct-17	Schneider electric	Only 1 quotation was obtained	Section 36 (a)(v) :In any other exceptional case where it is impractical or impossible to follow the official procurement process	170 551,98
10-Oct-17	SAICE	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	11 200,00

38. Deviations from supply chain management regulations (continued)

19-Oct-17	SAICE	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	5 300,00
19-Oct-17	IMPSA	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	3 550,00
25-Oct-17	The Institute of Risk Management	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	10 146,00
2-Nov-18	SAICE	Only 1 quotation was obtained for registration fees	Section 36 (a)(ii) :if such goods or services are produced or available from a single service provider only;	2 660,63
1-Jun-18	NJS SECURITY	Competitive bidding process not followed. Only 3 quote was obtained	Section 36 (a)(i) In an emergency to procure security services to the Executive Mayor on urgent basis	261 729,66
			TOTAL AMOUNT	765 272,27