

WALTER SISULU LOCAL MUNICIPALITY



WALTER SISULU
LOCAL MUNICIPALITY
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ANNUAL FINANCIAL STATEMENTS

30 JUNE 2018

WALTER SISULU LOCAL MUNICIPALITY

INDEX

Content	Page
General Information	2 - 3
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	
- Statement of Financial Position	9 - 10
- Statement of Financial Performance	11 - 12
- Cash Flow Statement	13 - 14
Accounting Policies and Significant Judgements and Estimates	15 - 49
Notes to the Financial Statements	50 - 109
APPENDICES - Unaudited	
A Schedule of External Loans	110
B Segmental Statement of Financial Performance - Municipal Votes	111
C Segmental Statement of Financial Performance - GFS Votes	112
D Disclosure of Grants and Subsidies	113 - 114
E National Treasury Appropriation Statements	
- Revenue and Expenditure (Standard Classification)	115 - 116
- Revenue and Expenditure (Municipal Vote Classification)	117 - 118
- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	119 - 120
- Capital Expenditure by Vote, Standard Classification and Funding	121 - 122
- Cash Flows	123 - 124

WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Walter Sisulu Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality provides functions as included in Schedule 4B and Schedule 5B of the Constitution. It should however be noted that the Water and Sanitation function, which is generally allocated to Category B municipalities, are performed by the District Municipality.

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Maletswai and Gariep Local Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Walter Sisulu Local Municipality was subsequently established by the amalgamation of the Maletswai Local Municipality and Gariep Local Municipality. Operations in the Walter Sisulu Local Municipality commenced on 6 August 2016, being the merger date. However, the municipality has since been placed under Provincial Administration in terms of section 139(b) of the Constitution of the Republic of South Africa. This intervention has been effective from 16 February 2018.

JURISDICTION

The Walter Sisulu Local Municipality includes the following areas:

Aliwal North	Burgersdorp	Venterstad
Jamestown	Steynsburg	Oviston

MUNICIPAL MANAGER

K.E Mpungose (Administrator)

CHIEF FINANCIAL OFFICER

Nceba Bomvane (Acting Chief Financial Officer)

REGISTERED OFFICE

1 Jan Greyling Street, Burgersdorp, 9744

AUDITORS

Auditor General South Africa

PRIMARY BANKER

First National Bank, Aliwal North

WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

ATTORNEYS

Douglas and Botha

Horn & Kumm

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Municipal Planning and Performance Management Regulations

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

WALTER SISULU LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

MEMBERS OF COUNCIL

<u>Councillor</u>	<u>Position</u>	<u>Councillor</u>	<u>Position</u>
Cllr B Khweyiya	Mayor	Cllr Z Mangali	Ward 1 Councillor
Cllr N Mathetha	Speaker	Cllr Z Mqokwana	Ward 2 Councillor
Cllr E Theron	PR Councillor	Cllr M Solani	Ward 4 Councillor
Cllr VA Schoeman	PR Councillor	Cllr L Nkunzi	Ward 5 Councillor
Cllr N Ngubo	PR Councillor	Cllr ZE Masina	Ward 6 Councillor
Cllr M Jan	PR Councillor	Cllr M Mdumisa	Ward 7 Councillor
Cllr DF Hartkopf	PR Councillor	Cllr X Mabusela	Ward 8 Councillor
Cllr VD Davids	PR Councillor	Cllr D De Jongh	Ward 9 Councillor
Cllr M De Ridder Nel	PR Councillor	Cllr MW Mokhoabane	Ward 10 Councillor
Cllr M Van Heerden	PR Councillor	Cllr KS Lange	Ward 11 Councillor
Cllr Y Zweni	PR Councillor		

APPROVAL OF ACCOUNTING OFFICER

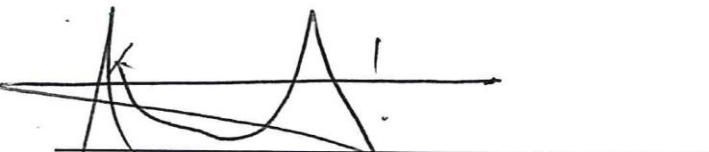
I am responsible for the preparation of these annual financial statements period ended 30 June 2018, which are set out on pages 1 to 131 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


K/E Mpungose (Administrator)

Municipal Manager


Date

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
ASSETS			
Current Assets		78 437 645	78 287 000
Cash and Cash Equivalents	2	5 275 199	21 658 077
Receivables from exchange transactions	3	23 466 545	12 496 886
Receivables from non-exchange transactions	4	8 232 965	12 765 163
Operating Lease Asset	5	-	-
Taxes	6	41 146 531	31 050 470
Inventory	7	316 404	316 404
Non-Current Assets		629 736 758	622 769 087
Non-Current Investments	8	1 368 838	1 368 838
Investment Property	9	152 240 208	153 159 502
Property, Plant and Equipment	10.1	463 653 872	455 005 784
Property, Plant and Equipment - Capitalised Restoration Cost	10.2	7 788 156	7 782 215
Biological Assets	11	1 285 230	1 880 250
Heritage Assets	12	2 984 705	2 984 705
Intangible Assets	13	415 750	587 794
Total Assets		708 174 403	701 056 088
Current Liabilities		309 939 053	288 628 610
Annuity Loans	14.1	444 572	606 427
Hire Purchases	14.2	213 115	620 658
Consumer Deposits	15	2 160 322	2 126 012
Payables from exchange transactions	16	276 269 180	252 666 624
Unspent Conditional Government Grants	17	15 395 244	17 127 327
Current Employee benefits	18	14 562 219	14 587 162
Provisions	19	894 400	894 400
Non-Current Liabilities		56 163 882	54 613 089
Annuity Loans	14.1	1 933 650	2 210 221
Hire Purchases	14.2	297 163	527 830
Employee benefits	20	27 860 238	27 416 005
Non-Current Provisions	21	26 072 831	24 459 033
Total Liabilities		366 102 935	343 241 699
NET ASSETS		342 071 468	357 814 388
COMMUNITY WEALTH			
Accumulated Surplus	22	342 071 468	357 814 388
TOTAL COMMUNITY WEALTH		342 071 468	357 814 388

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS		136 877 355	118 940 089
Taxation Revenue		19 911 120	18 661 347
Property Rates	23	19 911 120	18 661 347
Transfer Revenue		113 632 607	91 251 244
Government Grants and Subsidies - Capital	24	29 317 616	27 911 207
Government Grants and Subsidies - Operating	24	69 314 991	63 340 037
Public Contributions and Donations	25	15 000 000	-
Other Revenue		3 333 629	9 027 498
Fines	26	371 465	459 253
Actuarial Gains	27	2 849 180	7 958 108
Fair Value Adjustments	28	-	597 200
Insurance Receipts		112 984	12 936
REVENUE FROM EXCHANGE TRANSACTIONS		130 935 031	99 410 787
Operating Activities		130 935 031	99 410 787
Service Charges	29	113 410 666	84 122 488
Rental of Facilities and Equipment		2 458 414	2 144 825
Interest Earned - external investments		1 686 081	1 431 704
Interest Earned - outstanding debtors	30	7 304 399	5 118 497
Licences and Permits	31	3 648 344	3 225 925
Agency Services	32	362 647	1 618 523
Other Income	33	2 064 481	1 748 824
TOTAL REVENUE		267 812 386	218 350 875
EXPENDITURE			
Employee related costs	34	84 613 449	76 831 637
Remuneration of Councillors	35	8 250 888	5 882 648
Debt Impairment	36	21 527 184	36 177 542
Depreciation and Amortisation	37	28 395 435	26 036 302
Repairs and Maintenance	38	3 706 317	4 010 665
Finance Charges	39	18 004 113	11 907 013
Bulk Purchases	40	82 544 376	70 593 781
Transfers and Grants	41	70 355	191 813
Operating Grant Expenditure	42	12 515 333	11 260 190
Fair Value Adjustments	28	595 020	-
Other Expenditure	43	23 332 835	24 921 223
TOTAL EXPENDITURE		283 555 306	267 812 814
NET DEFICIT FOR THE YEAR		(15 742 920)	(49 461 939)

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2018

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 6 August 2016 - Previously	407 276 327	407 276 327
Net Deficit for the period	(49 461 939)	(49 461 939)
Restated Balance on 30 June 2017	357 814 388	357 814 388
Net Deficit for the year	(15 742 920)	(15 742 920)
Balance on 30 June 2018	342 071 468	342 071 468

WALTER SISULU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

	Notes	2018 R (Actual)	2017 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		23 663 459	15 614 382
Service charges		77 525 332	74 257 400
Other revenue		32 969 082	10 496 517
Government - operating		70 104 908	73 230 155
Government - capital		29 317 616	29 931 011
Interest		1 686 081	1 431 704
Payments			
Suppliers		(116 818 048)	(74 942 786)
Employees		(84 053 380)	(72 153 492)
Finance charges		(14 409 663)	(8 563 560)
Transfers and Grants		(70 355)	(191 813)
NET CASH FROM OPERATING ACTIVITIES	45	19 915 032	49 109 519
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Increase in non-current investments		-	(91 532)
Payments			
Purchase of Property, Plant and Equipment		(35 063 346)	(29 226 442)
Purchase of Intangible Assets		(24 345)	(166 770)
NET CASH USED IN INVESTING ACTIVITIES		(35 087 691)	(29 484 744)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase in Consumer Deposits		34 310	98 220
Payments			
Loans repaid		(1 244 529)	(1 225 989)
NET CASH USED IN FINANCING ACTIVITIES		(1 210 218)	(1 127 770)
NET INCREASE IN CASH HELD		(16 382 877)	18 497 006
Cash and Cash Equivalents recognised on merger date		21 658 077	3 161 071
Cash and Cash Equivalents at the end of the year		5 275 199	21 658 077
NET INCREASE IN CASH HELD		(16 382 877)	18 497 006

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
ASSETS			
Current assets			
Cash and Cash Equivalents	5 275 199	6 437 253	(1 162 054)
Consumer debtors	24 744 469	28 538 529	(3 794 060)
Other Receivables	48 101 573	37 266 978	10 834 594
Inventory	316 404	332 069	(15 665)
Total current assets	78 437 645	72 574 829	5 862 815
Non current assets			
Investments	1 368 838	888 657	480 181
Investment property	152 240 208	164 307 469	(12 067 261)
Property, plant and equipment	471 442 028	480 339 170	(8 897 142)
Biological Assets	1 285 230	1 367 731	(82 501)
Heritage Assets	2 984 705	3 181 696	(196 991)
Intangible Assets	415 750	648 578	(232 828)
Total non current assets	629 736 758	650 733 301	(20 996 542)
TOTAL ASSETS	708 174 403	723 308 130	(15 133 727)
LIABILITIES			
Current liabilities			
Borrowing	657 687	1 133 490	(475 803)
Consumer deposits	2 160 322	2 148 158	12 165
Trade and other payables	291 664 424	372 137 211	(80 472 787)
Provisions and Employee Benefits	15 456 620	10 450 335	5 006 285
Total current liabilities	309 939 053	385 869 194	(75 930 141)
Non current liabilities			
Borrowing	2 230 813	91 159 129	(88 928 316)
Provisions and Employee Benefits	53 933 069	41 535 216	12 397 853
Total non current liabilities	56 163 882	132 694 345	(76 530 463)
TOTAL LIABILITIES	366 102 935	518 563 538	(152 460 604)
NET ASSETS	342 071 468	204 744 592	137 326 877
COMMUNITY WEALTH			
Accumulated Surplus	342 071 468	204 744 592	137 326 877
TOTAL COMMUNITY WEALTH	342 071 468	204 744 592	137 326 877

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
ASSETS			
Current assets			
Cash and Cash Equivalents	6 437 253	-	6 437 253
Consumer debtors	28 538 529	-	28 538 529
Other Receivables	37 266 978	-	37 266 978
Inventory	332 069	-	332 069
Total current assets	72 574 829	-	72 574 829
Non current assets			
Investments	888 657	-	888 657
Investment property	164 307 469	-	164 307 469
Property, plant and equipment	480 339 170	-	480 339 170
Biological Assets	1 367 731	-	1 367 731
Heritage Assets	3 181 696	-	3 181 696
Intangible Assets	648 578	-	648 578
Total non current assets	650 733 301	-	650 733 301
TOTAL ASSETS	723 308 130	-	723 308 130
LIABILITIES			
Current liabilities			
Borrowing	1 133 490	-	1 133 490
Consumer deposits	2 148 158	-	2 148 158
Trade and other payables	220 024 976	-	372 137 211
Provisions and Employee Benefits	10 450 335	-	10 450 335
Total current liabilities	385 869 194	-	385 869 194
Non current liabilities			
Borrowing	91 159 129	-	91 159 129
Provisions and Employee Benefits	41 535 216	-	41 535 216
Total non current liabilities	518 563 538	-	518 563 538
TOTAL LIABILITIES	518 563 538	-	518 563 538
NET ASSETS	204 744 592	-	204 744 592
COMMUNITY WEALTH			
Accumulated Surplus	357 155 776	-	204 744 592
TOTAL COMMUNITY WEALTH	204 744 592	-	204 744 592

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
REVENUE BY SOURCE			
Property rates	19 911 120	32 400 000	(12 488 880)
Service charges - electricity revenue	94 267 041	83 809 788	10 457 253
Service charges - refuse revenue	19 143 625	20 185 263	(1 041 638)
Rental of facilities and equipment	2 458 414	3 122 001	(663 587)
Interest earned - external investments	1 686 081	2 500 000	(813 919)
Interest earned - outstanding debtors	7 304 399	5 201 066	2 103 333
Fines	371 465	625 311	(253 846)
Licences and permits	3 648 344	5 547 715	(1 899 372)
Agency services	362 647	3 181 360	(2 818 713)
Government Grants and Subsidies - Operating	69 314 991	61 468 082	7 846 908
Other revenue	20 026 644	8 054 564	11 972 080
Gains on disposal of PPE	-	95 095	(95 095)
TOTAL OPERATING REVENUE	238 494 770	226 190 246	12 304 524
EXPENDITURE BY TYPE			
Employee related costs	84 613 449	89 631 108	(5 017 658)
Remuneration of councillors	8 250 888	8 317 709	(66 821)
Debt impairment	21 527 184	2 500 000	19 027 184
Depreciation & asset impairment	28 395 435	7 677 577	20 717 858
Finance charges	18 004 113	377 505	17 626 608
Bulk purchases	82 544 376	75 600 000	6 944 376
Grants and subsidies paid	70 355	363 772	(293 417)
Other expenditure	40 149 505	39 631 914	517 591
TOTAL OPERATING EXPENDITURE	283 555 306	224 099 585	59 455 721
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(45 060 536)	2 090 661	(47 151 197)
Government Grants and Subsidies - Capital	29 317 616	38 505 637	(9 188 021)
NET SURPLUS/(DEFICIT) FOR THE YEAR	(15 742 920)	40 596 298	(56 339 218)

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
REVENUE BY SOURCE			
Property rates	25 665 183	6 734 817	32 400 000
Service charges - electricity revenue	83 809 788	-	83 809 788
Service charges - refuse revenue	14 346 523	5 838 740	20 185 263
Rental of facilities and equipment	3 191 263	(69 262)	3 122 001
Interest earned - external investments	887 542	1 612 458	2 500 000
Interest earned - outstanding debtors	5 201 066	-	5 201 066
Fines	373 990	251 322	625 311
Licences and permits	4 048 192	1 499 523	5 547 715
Agency services	3 181 360	-	3 181 360
Government Grants and Subsidies - Operating	71 468 082	(10 000 000)	61 468 082
Other revenue	6 687 357	1 367 207	8 054 564
Gains on disposal of PPE	95 095	-	95 095
TOTAL OPERATING REVENUE	218 955 441	7 234 805	226 190 246
EXPENDITURE BY TYPE			
Employee related costs	87 589 029	2 042 079	89 631 108
Remuneration of councillors	6 981 529	1 336 180	8 317 709
Debt impairment	2 500 000	-	2 500 000
Depreciation & asset impairment	16 631 090	(8 953 513)	7 677 577
Finance charges	369 267	8 238	377 505
Bulk purchases	72 000 000	3 600 000	75 600 000
Grants and subsidies paid	363 772	-	363 772
Other expenditure	31 775 456	7 856 458	39 631 914
TOTAL OPERATING EXPENDITURE	218 210 143	5 889 442	224 099 585
OPERATING SURPLUS FOR THE YEAR	745 298	1 345 363	2 090 661
Government Grants and Subsidies - Capital	37 456 000	1 049 637	38 505 637
NET SURPLUS FOR THE YEAR	38 201 298	2 395 000	40 596 298

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	23 663 459	25 665 183	(2 001 724)
Service charges	77 525 332	98 156 311	(20 630 979)
Other revenue	32 969 082	12 809 717	20 159 364
Government - operating	70 104 908	63 703 120	6 401 788
Government - capital	29 317 616	37 456 000	(8 138 384)
Interest	1 686 081	5 766 150	(4 080 069)
Payments			
Suppliers and Employees	(200 871 428)	(352 916 918)	152 045 489
Finance charges	(14 409 663)	(369 267)	(14 040 396)
Transfers and Grants	(70 355)	(363 772)	293 417
NET CASH FROM/(USED) OPERATING	19 915 032	(110 093 475)	130 008 507
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	-	95 095	(95 095)
Increase in non-current investments	-	-	-
Payments			
Capital assets	(35 087 691)	(40 556 300)	5 468 609
NET CASH USED IN INVESTING ACTIVITIES	(35 087 691)	(40 461 205)	5 373 514
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	34 310	-	34 310
Payments			
Repayment of borrowing	(1 244 529)	(369 267)	(875 262)
NET CASH USED IN FINANCING ACTIVITIES	(1 210 218)	(369 267)	(840 951)
NET DECREASE IN CASH HELD	(16 382 877)	(150 923 947)	134 541 069
Cash and Cash Equivalents at the beginning of the year	21 658 077	6 437 253	15 220 823
Cash and Cash Equivalents at the end of the year	5 275 199	(144 486 693)	149 761 893

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	25 665 183	-	25 665 183
Service charges	98 156 311	-	98 156 311
Other revenue	12 809 717	-	12 809 717
Government - operating	63 703 120	-	63 703 120
Government - capital	37 456 000	-	37 456 000
Interest	5 766 150	-	5 766 150
Payments			
Suppliers and Employees	(352 916 918)	-	(352 916 918)
Finance charges	(369 267)	-	(369 267)
Transfers and Grants	(363 772)	-	(363 772)
	(110 093 475)	-	(110 093 475)
NET CASH USED IN OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	95 095	-	95 095
Payments			
Capital assets	(37 556 300)	(3 000 000)	(40 556 300)
	(37 461 205)	(3 000 000)	(40 461 205)
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase/(decrease) in consumer deposits	-	-	-
Payments			
Repayment of borrowing	(369 267)	-	(369 267)
	(369 267)	-	(369 267)
NET CASH USED IN FINANCING ACTIVITIES			
	(147 923 947)	(3 000 000)	(150 923 947)
NET DECREASE IN CASH HELD			
Cash and Cash Equivalents at the beginning of the year	6 437 253	-	6 437 253
Cash and Cash Equivalents at the end of the year	(141 486 693)	(3 000 000)	(144 486 693)

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective GRAP standards

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 18	Related Party Disclosures	1 April 2018
GRAP 108	Statutory Receivables	1 April 2018

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which was issued but is not yet effective:

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2 GRAP 32 - Service Concession Arrangements: Grantor (effective 1 April 2019)

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

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.3 GRAP 109 - Accounting by Principles and Agents (effective 1 April 2019)

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.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.08.4 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.5 iGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.6 Recognition and Derecognition of Land (effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

1.08.7 Liabilities to Pay Levies (effective 1 April 2019)

This Interpretation 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.

No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation's requirements.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 34 - Separate Financial Statements (Original - March 2017)

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.

No significant impact is expected as the Municipality has no investments in any entities.

1.08.2.2 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

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.

No significant impact is expected as the Municipality does not control any entities.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

1.08.2.3 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

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.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.2.4 GRAP 37 - Joint Arrangements (Original - March 2017)

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).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.2.5 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

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

- (a) 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
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.09 INVESTMENT PROPERTY

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

1.09.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.09.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100
Land	Indefinite

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.09 INVESTMENT PROPERTY (CONTINUED)

1.09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.09.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

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

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
Infrastructure		Land and Buildings	
Roads and Stormwater	7 - 50	Buildings	100
Electricity	20 - 45	Land	Indefinite
Community Assets		Other Assets	
Recreation Grounds and Facilities	25	Office Equipment and tools	1 - 20
Cemetery	25	Motor vehicles and implements	5 - 15
Lease assets			
Office Equipment	3 - 5		

1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.11 BIOLOGICAL ASSETS

1.11.1 Initial Recognition

A biological asset is a living animal or plant, while agricultural produce is the harvested product of the biological asset.

A biological asset or agricultural produce is recognised when:

- (a) the Municipality controls the asset as a result of a past event;
- (b) it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- (c) and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

Where the Municipality acquires a biological asset through a non-exchange transaction, the biological asset is also measured at its fair value less cost to sell.

1.11.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

Agricultural produce harvested from the Municipality's biological assets is measured at its fair value less costs to sell at the point of harvest.

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised 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.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.12 HERITAGE ASSETS (CONTINUED)

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 the Municipality.

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

1.12.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.12.3 Depreciation

Heritage assets are not depreciated.

1.12.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13 INTANGIBLE ASSETS

1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.13.2 Subsequent Measurement - Cost Model

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13 INTANGIBLE ASSETS (CONTINUED)

1.13.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5 - 10

1.13.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.13.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.14 NON-CURRENT INVESTMENTS

Investments include only fixed deposits invested in registered commercial banks.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

1.15 IMPAIRMENT OF NON-MONETARY ASSETS

An 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.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1.15.1 Recoverable amount of Cash-generating assets

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

The best evidence of 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.

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

1.15.2 Recoverable amount of Non-cash-generating assets

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.15 NON-CURRENT INVESTMENTS (CONTINUED)

1.15.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

1.15.4 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 assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

1.16 INVENTORIES

1.16.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.16 INVENTORIES (CONTINUED)

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

1.16.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.17 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

1.17.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.17.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.17.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.17 EMPLOYEE BENEFITS (CONTINUED)

1.17.2 Long-term Benefits

1.17.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17.3 Short-term Benefits

1.17.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.17.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.17.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.18 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.18 PROVISIONS (CONTINUED)

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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 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 will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality 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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.19 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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19 LEASES (CONTINUED)

1.19.1 Municipality as Lessee

1.19.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.19.2 Municipality as Lessor

1.19.2.1 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

1.20 FINANCIAL INSTRUMENTS

1.20.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.20 FINANCIAL INSTRUMENTS

1.20.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **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. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.20.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.20.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

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 is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.20.3.2 *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 is not be reversed.

1.20.4 **Derecognition of financial instruments**

1.20.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.20.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

1.20.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

1.21.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.21.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.22 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.23 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.24 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.25 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.26 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.28 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.28 REVENUE (CONTINUED)

1.28.1.1 *Taxation Revenue*

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

1.28.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.28.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

1.28.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

1.28.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.28 REVENUE (CONTINUED)

1.28.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.28.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises 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.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.28.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.28.2 **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.28.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity is based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.28 REVENUE (CONTINUED)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

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

1.28.2.2 *Investment income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.28.2.3 *Rental income*

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

1.28.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.28.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.28.2.6 *Sale of goods*

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.28 REVENUE (CONTINUED)

1.28.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.29 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.30 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 IRREGULAR EXPENDITURE

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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.34 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.35 EVENTS AFTER REPORTING DATE

Events after the 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:

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.36 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.36 RELATED PARTIES (CONTINUED)

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.37.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.37.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.37.3 Useful lives and residual values

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

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.37.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Impairment charges relating to capitalised restoration costs are linked to the portion of landfill site being utilised in the year under review.

1.37.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.37.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

1.37.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.37.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

1.37.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

1.38 MERGERS

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

As of the merger date, the Municipality recognises all the assets acquired and liabilities assumed from the former municipalities. The assets acquired and liabilities assumed are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired and the liabilities assumed, is recognised in accumulated surplus.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.38 MERGERS

Any adjustments made to the carrying amounts as a result of errors in the former municipalities' records, are also recognised in accumulated surplus.

Where the former municipalities applied a different basis of accounting, the new combined Municipality recognises the assets acquired and the liabilities assumed of the former municipalities on the merger date at their existing carrying amounts and subsequently adjust it only as a result of conforming with the combined Municipality's accounting policies. Where management is of the opinion that the conforming of accounting policies as on merger date, rather than subsequently to merger date, will be more beneficial to the users of the financial statements, it will state this fact and disclose the items effected as on merger date.

The Standard of GRAP on Mergers allows for a two year measurement period from merger date. Where the accounting of merger items are incomplete at the reporting period, provisional amounts are recorded in the financial statements.

Assets required and liabilities assumed in the merger are subsequently measured in accordance with the applicable Standards of GRAP applied by the Municipality.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
2 CASH AND CASH EQUIVALENTS		
Current Accounts	4 373 903	1 676 055
Call Investments and Notice Deposits	883 032	19 967 258
Cash Floats	18 264	14 764
Total	5 275 199	21 658 077

Due to the short term nature of cash deposits, all balances included above is in line with their fair value.

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	15 395 244	17 127 327
Committed for DBSA loan	271 706	255 310
Working Capital Requirements/(Shortfall)	(10 391 751)	4 275 440
	5 275 199	21 658 077

Primary Bank Account

First National Bank - Aliwal North Branch - Account Number 6247 6326 965

Bank Statement Balance - Opening Balance	1 450 787	958 022
Bank Statement Balance - Closing Balance	3 078 502	1 450 787
Cashbook Balance - Opening Balance	1 479 413	1 622 928
Cashbook Balance - Closing Balance	3 500 171	1 479 413

Other Current Accounts

ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352

Bank Statement Balance - Opening Balance	7 586	8 324
Bank Statement Balance - Closing Balance	6 445	7 586
Cashbook Balance - Opening Balance	7 586	8 324
Cashbook Balance - Closing Balance	6 445	7 586

ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125

Bank Statement Balance - Opening Balance	8 364	2 136
Bank Statement Balance - Closing Balance	22 638	8 364
Cashbook Balance - Opening Balance	8 364	2 136
Cashbook Balance - Closing Balance	22 638	8 364

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
2 CASH AND CASH EQUIVALENTS (CONTINUED)		
ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037		
Bank Statement Balance - Opening Balance	7 654	8 215
Bank Statement Balance - Closing Balance	6 661	7 654
Cashbook Balance - Opening Balance	7 654	8 215
Cashbook Balance - Closing Balance	6 661	7 654
ABSA Bank - Burgersdorp Branch - Account Number 1800 22 0161		
Bank Statement Balance - Opening Balance	279 701	749 658
Bank Statement Balance - Closing Balance	1 595 198	279 701
Cashbook Balance - Opening Balance	173 038	-
Cashbook Balance - Closing Balance	839 987	173 038
There are no overdraft facility at any of the bank accounts.		
There are no guarantees held on any of the bank accounts.		
Call Investments and Notice Deposits		
Call Investments and Notice Deposits consist out of the following accounts:		
ABSA 32 Day Notice - Account Number 92 7883 5880	455 429	18 886 670
ABSA Call Account - Account Number 92 7435 2868	271 706	255 310
First National Bank Call Account - Account Number 62 4822 13247	53 297	722 677
ABSA Call Account - Account Number 90 5996 7363	89 381	89 381
ABSA Call Account - Account Number 92 7283 1416	4 034	4 034
ABSA 32 Day Notice - Account Number 90 6448 9631	7 042	7 042
ABSA 32 Day Notice - Account Number 50 6434 4937	2 142	2 142
	883 032	19 967 258

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2018

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	105 549 052	82 082 507	23 466 545
Electricity	34 095 315	16 023 102	18 072 213
Refuse	53 284 658	48 932 486	4 352 172
Other Arrears	18 169 079	17 126 919	1 042 160
Total	105 549 052	82 082 507	23 466 545

30 JUNE 2017

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	79 691 639	67 194 752	12 496 886
Electricity	18 904 404	11 291 310	7 613 094
Refuse	44 499 611	40 743 829	3 755 782
Other Arrears	16 287 624	15 159 613	1 128 011
Total	79 691 639	67 194 752	12 496 886
Balance Previously Reported	86 867 865	67 194 752	19 673 112
Prior Period Adjustments - Refer to note 44.1	(7 176 226)	-	(7 176 226)
Restated on 30 June 2017	79 691 639	67 194 752	12 496 886

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

Ageing of service receivables:

Electricity Ageing

	2018 R	2017 R
Current (0 - 30 days)	14 257 968	10 422 304
Past Due (31 - 60 Days)	1 792 697	1 714 450
Past Due (61 - 90 Days)	1 708 801	939 230
Past Due (90 Days +)	16 335 849	5 828 420
Total	34 095 315	18 904 404

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Refuse Ageing		
Current (0 - 30 days)	1 995 653	1 528 770
Past Due (31 - 60 Days)	1 726 703	1 248 683
Past Due (61 - 90 Days)	1 706 968	1 147 817
Past Due (90 Days +)	47 855 335	40 574 341
Total	53 284 658	44 499 611
Other Arrears Ageing		
Current (0 - 30 days)	272 570	278 153
Past Due (31 - 60 Days)	203 524	297 644
Past Due (61 - 90 Days)	188 812	180 034
Past Due (90 Days +)	17 504 174	15 531 793
Total	18 169 079	16 287 624
Total Service Receivables Ageing		
Current (0 - 30 days)	16 526 192	12 229 226
Past Due (31 - 60 Days)	3 722 923	3 260 777
Past Due (61 - 90 Days)	3 604 580	2 267 081
Past Due (90 Days +)	81 695 357	61 934 554
Total	105 549 053	79 691 639
Reconciliation of Allowance for impairment		
Opening Balance	67 194 752	46 281 809
Contribution to the provision	24 915 675	26 430 419
Electricity	6 188 834	7 037 959
Refuse	16 759 534	17 184 496
Other Arrears	1 967 306	2 207 965
Bad Debts Written off	(10 027 920)	(5 517 477)
Electricity	(1 457 042)	(2 043 635)
Refuse	(8 570 878)	(3 473 842)
Other Arrears	-	-
Balance at the end of the year	82 082 507	67 194 752

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2018

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	26 680 632	25 402 708	1 277 924
Rates	26 680 632	25 402 708	1 277 924
Other Receivables	6 955 042	-	6 955 042
Accrued Interest	72 400	-	72 400
Staff	(637 879)	-	(637 879)
Deposits	212 253	-	212 253
Government	188 880	-	188 880
Other Debtors	7 119 388	-	7 119 388
Total	33 635 674	25 402 708	8 232 965

30 JUNE 2017

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	30 432 972	26 496 252	3 936 720
Rates	30 432 972	26 496 252	3 936 720
Other Receivables	8 828 443	-	8 828 443
Accrued Interest	72 400	-	72 400
Staff	377 390	-	377 390
Deposits	212 253	-	212 253
Government	188 880	-	188 880
Other Debtors	7 977 520	-	7 977 520
Total	39 261 415	26 496 252	12 765 163

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	2018 R	2017 R
Ageing of service receivables:		
Rates Ageing		
Current (0 - 30 days)	1 419 441	1 497 356
Past Due (31 - 60 Days)	797 220	940 764
Past Due (61 - 90 Days)	661 135	631 989
Past Due (90 Days +)	23 802 837	27 362 864
Total	26 680 632	30 432 972
Reconciliation of Allowance for impairment		
Opening Balance	26 496 252	15 273 854
Contribution to the provision	(1 093 544)	11 222 399
Balance at the end of the year	25 402 708	26 496 252

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

5 OPERATING LEASE ASSET

Operating Lease Asset	-	-
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Lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2017 and 30 June 2018.

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	11 710	1 033
Between 1 and 5 Years	11 690	3 977
After 5 Years	661	6 088
Total	24 061	11 098

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

6 TAXES

VAT Receivable (In suspense)	47 569 143	46 572 029
VAT Payable to SARS	9 114 525	(959 335)
VAT Payable (In suspense)	(15 537 137)	(14 562 224)
Total	41 146 531	31 050 470

VAT is payable/receivable on the cash basis. Payments to and claims from SARS only occurs when actual cash flow takes place.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

7 INVENTORY

Consumable Stores - Electrical Stock	312 440	312 440
Consumable Stores - General Stock	3 964	3 964
Total	316 404	316 404

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory recognised as an expense during the year	640 256	605 300
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8 NON-CURRENT INVESTMENTS

Fixed Deposits	1 368 838	1 368 838
Total	1 368 838	1 368 838

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 7.25 % to 8.13 % per annum.

Fixed Deposits consist out of the following accounts:

ABSA Fixed Deposit - Account number 20 6626 7402	858 473	858 473
ABSA Fixed Deposit - Account number 20 4791 9733	35 639	35 639
ABSA Fixed Deposit - Account Number 20 6740 1932	474 726	474 726
Total	1 368 838	1 368 838

The ABSA Fixed Deposit - Account number 20 6626 7402 is committed as security for the DBSA long-term liability.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

9 INVESTMENT PROPERTY

Investment Property - Carrying Value	152 240 208	153 159 502
Total	152 240 208	153 159 502

The movement in investment properties is reconciled as follows:

Opening Carrying value	153 159 502	154 030 241
Cost	174 128 575	174 128 575
Accumulated Depreciation	(20 969 073)	(20 098 335)
Depreciation	(919 294)	(870 739)
Closing Carrying Value	152 240 208	153 159 502
Cost	174 128 575	174 128 575
Accumulated Depreciation	(21 888 368)	(20 969 073)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

10.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2018	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	148 510 245	-	-	148 510 245	57 608 897	1 994 777	-	59 603 675	88 906 571
Land	24 044 018	-	-	24 044 018	-	-	-	-	24 044 018
Buildings	124 466 227	-	-	124 466 227	57 608 897	1 994 777	-	59 603 675	64 862 552
Infrastructure	574 931 556	24 958 774	-	599 890 330	246 494 225	21 862 951	-	#####	331 533 154
Roads and Stormwater	410 167 104	17 312 899	-	427 480 003	176 532 087	15 930 007	-	#####	235 017 909
Electricity	161 081 797	7 645 875	-	168 727 672	69 435 249	5 827 068	-	75 262 317	93 465 356
Other	3 682 655	-	-	3 682 655	526 889	105 877	-	632 766	3 049 889
Community Assets	34 843 362	9 652 654	-	44 496 016	10 049 210	618 497	-	10 667 708	33 828 309
Recreation Grounds and Facilities	30 482 405	9 652 654	-	40 135 059	7 894 305	455 706	-	8 350 012	31 785 047
Cemetery	4 360 957	-	-	4 360 957	2 154 905	162 791	-	2 317 696	2 043 261
Lease Assets	6 199 197	-	-	6 199 197	6 197 587	952	-	6 198 539	658
Office Equipment	6 199 197	-	-	6 199 197	6 197 587	952	-	6 198 539	658
Other Assets	26 742 973	451 918	-	27 194 891	15 871 629	1 938 081	-	17 809 710	9 385 181
Furniture, Equipment and Machinery	12 772 221	451 918	-	13 224 139	8 546 150	1 228 147	-	9 774 297	3 449 842
Motor Vehicles and Implements	13 970 752	-	-	13 970 752	7 325 479	709 934	-	8 035 413	5 935 340
Total	791 227 333	35 063 346	-	826 290 679	336 221 549	26 415 258	-	#####	463 653 872

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2017	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Recognised on Merger Date R	Additions R	Disposals R	Closing Balance R	Recognised on Merger Date R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	148 340 245	170 000	-	148 510 245	55 723 254	1 885 643	-	57 608 897	90 901 348
Land	24 044 018	-	-	24 044 018	-	-	-	-	24 044 018
Buildings	124 296 227	170 000	-	124 466 227	55 723 254	1 885 643	-	57 608 897	66 857 330
Infrastructure	547 689 076	27 242 480	-	574 931 556	226 787 620	19 706 605	-	#####	328 437 331
Roads and Stormwater	389 890 907	20 276 197	-	410 167 104	162 173 259	14 358 828	-	#####	233 635 017
Electricity	154 115 514	6 966 283	-	161 081 797	64 182 906	5 252 343	-	69 435 249	91 646 548
Other	3 682 655	-	-	3 682 655	431 455	95 434	-	526 889	3 155 766
Community Assets	33 924 747	918 615	-	34 843 362	9 437 992	611 218	-	10 049 210	24 794 152
Recreation Grounds and Facilities	29 563 790	918 615	-	30 482 405	7 448 636	445 670	-	7 894 305	22 588 100
Cemetery	4 360 957	-	-	4 360 957	1 989 356	165 549	-	2 154 905	2 206 052
Lease Assets	6 199 197	-	-	6 199 197	6 196 635	952	-	6 197 587	1 610
Office Equipment	6 199 197	-	-	6 199 197	6 196 635	952	-	6 197 587	1 610
Other Assets	25 847 627	895 347	-	26 742 973	13 861 143	2 010 486	-	15 871 629	10 871 344
Furniture, Equipment and Machinery	11 876 874	895 347	-	12 772 221	7 245 598	1 300 552	-	8 546 150	4 226 071
Motor Vehicles and Implements	13 970 752	-	-	13 970 752	6 615 545	709 934	-	7 325 479	6 645 273
Total	762 000 891	29 226 442	-	791 227 333	312 006 644	24 214 905	-	#####	455 005 784

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

	2018	2017
	R	R
The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.		
Infrastructure - Roads and Stormwater	17 273 773	-
Infrastructure - Electricity	7 645 875	-
Infrastructure - Other	2 984 642	2 984 642
Community Assets - Recreation Grounds	24 099 345	14 446 691
Buildings	7 396 225	7 396 225
Total Work in Progress (WIP)	59 399 860	24 827 558

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in note 14 to the financial statements

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

10.2

PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST

	2018 R	2017 R
Capitalised Restoration Cost - Carrying Value	<u>7 788 156</u>	<u>7 782 215</u>
The movement in capitalised restoration cost is reconciled as follows:		
Opening Carrying Value	7 782 215	8 559 075
Cost	15 562 660	15 562 660
Accumulated Depreciation	(7 780 445)	(7 003 584)
Additions	958 109	-
Disposals	(87 674)	-
Depreciation	(864 494)	(776 860)
Closing Carrying Value	<u>7 788 156</u>	<u>7 782 215</u>
Cost	16 433 094	15 562 660
Accumulated Depreciation	(8 644 939)	(7 780 445)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Walter Sisulu Local Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 21 for more detail relating to this asset financed by way of a provision

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
11 BIOLOGICAL ASSETS		
Biological Assets - Fair Value	1 285 230	1 880 250
Total	1 285 230	1 880 250

The movement in biological assets is reconciled as follows:

Opening Fair Value	1 880 250	1 283 050
Fair value adjustments - Physical changes and death	(595 020)	1 717 725
Fair value adjustments - Price adjustments	-	(1 120 525)
Closing Fair Value	1 285 230	1 880 250

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the Aliwal North Nature Reserve, the Aliwal North Spa and Burgersdorp Nature Reserve. The primary activities revolving around biological assets are as follows:

- Ensure that the game life in the municipal area are conserved for future generations.

- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of resources to the municipality.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

11	BIOLOGICAL ASSETS (CONTINUED)	2018 R	2017 R
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Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

Biological Assets consist out of the following at year-end:

Quantity	Asset	Fair Value R		
454	Springbuck	600	272 400	259 800
149	Blesbuck	800	119 200	178 600
0	White Blesbuck	950	-	6 650
69	Black Wildebeest	1 200	82 800	79 300
0	Impala	900	-	1 800
32	Gemsbuck	3 500	112 000	157 500
69	Redhartebeest	2 200	151 800	136 400
6	Eland	3 000	18 000	69 000
39	Zebra	3 527	137 564	116 400
6	Ostrich	800	4 800	4 800
8	Buffalo	48 333	386 667	870 000
Total			1 285 230	1 880 250

The Fair value of biological assets is based on selling prices less costs to sell in an open active market.

12	HERITAGE ASSETS		
	Heritage Assets - Cost	2 984 705	2 984 705
	Total	2 984 705	2 984 705

There were no movement in heritage assets during the period under review.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

12 HERITAGE ASSETS (CONTINUED)

The municipality holds heritage assets, but was unable to obtain fair values for all such assets. These assets are disclosed herein in terms of GRAP 103.17 (at R 1) which states that if an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

<u>Details of Heritage Assets</u>	<u>Location</u>	2018 R	2017 R
Block House	Burgersdorp	326 500	326 500
Jubilee Fountain	Burgersdorp	114 212	114 212
Taal Monument	Burgersdorp	222 450	222 450
Voortrekkerdrif	Aliwal North	1	1
Light of the Century	Aliwal North	1	1
Concentrion Camp Kerkhof	Aliwal North	1	1
Durban Street Cemetery	Aliwal North	150 000	150 000
Old Cemetery by the river	Dukathole	149 000	149 000
Fort at Nature Reserve	Aliwal North	1	1
Fort on "Bronepad"	Aliwal North	10 000	10 000
Fort behind the hospital	Aliwal North	1	1
SA War Memorial Site	Aliwal North	90 000	90 000
Freedom Square	Dukathole	1	1
Kerkplein Museum	Aliwal North	1 459 500	1 459 500
Joe Gqabi Statue	Aliwal North	58 536	58 536
Museum - Old Library	Aliwal North	343 000	343 000
Frere Bridge	Aliwal North	1	1
Jamestown Museum	Jamestown	61 500	61 500
Total		2 984 705	2 984 705

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

13	INTANGIBLE ASSETS	2018 R	2017 R
	Intangible Assets - Carrying Value	415 750	587 794
	Total	415 750	587 794
	The movement in intangible assets is reconciled as follows:		
	Opening Carrying Value	587 794	594 822
	Cost	3 070 024	2 903 254
	Accumulated Depreciation	(2 482 230)	(2 308 432)
	Additions	24 345	166 770
	Amortisation	(196 388)	(173 798)
	Closing Carrying Value	415 750	587 794
	Cost	3 094 368	3 070 024
	Accumulated Depreciation	(2 678 618)	(2 482 230)

Intangible Assets consist only out of software

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14 LONG-TERM LIABILITIES

14.1 ANNUITY LOANS

Annuity Loans	3 224 300	3 830 619
Less: Current portion	(444 572)	(606 427)
Sub-total	2 779 728	3 224 191
Unamortised Loan Charges	(846 078)	(1 013 971)
Opening Balance	(1 013 971)	(1 190 440)
Unwinding of discounted interest	167 892	176 469
Total	1 933 650	2 210 221

Annuity Loans were fully utilised to purchase property plant and equipment. No loans were unspent at year end.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

14	LONG-TERM LIABILITIES (CONTINUED)	2018 R	2017 R
	Annuity Loans, disclosed at amortised cost, consist out of the following agreements:		
	Development Bank of South Africa (DBSA) (Maletswai Local Municipality)	3 036 614	3 281 069
	Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2027.		
	Development Bank of South Africa (DBSA) (Gariiep Local Municipality)	187 686	549 550
	Interest is calculated at 5.00% interest rate and the loan will be fully redeemed on 30 September 2018.		
	Annuity loans are secured by long and short term deposits. Refer to notes 2 and 8.		
	Total	3 224 300	3 830 619
	Annuity loans are payable as follows:		
	Payable within one year	598 029	790 498
	Payable within two to five years	1 622 236	1 814 573
	Payable after five years	1 823 910	2 229 380
	Total amount payable	4 044 175	4 834 451
	Less: Outstanding Future Finance Charges	(819 875)	(1 003 833)
	Present value of annuity loans	3 224 300	3 830 619

14.2 HIRE PURCHASES

Hire Purchases	510 278	1 148 488
Less: Current portion	(213 115)	(620 658)
Total	297 163	527 830

Hire Purchases, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	ABSA (TATA Water Truck)	10.25%	2017-12-15
2	ABSA (Nissan UD 330)	10.25%	2018-03-01
3	ABSA (Isuzu KB 200I)	10.25%	2018-03-01
4	FNB (CHEVROLET TRAILBLAZER)	10.25%	2020-10-01
5	FNB (NISSAN NP200 1.6)	10.25%	2020-10-01
6	FNB (Chevrolet Aveo)	10.25%	2020-10-01
7	FNB (Chevrolet Aveo)	10.25%	2020-10-01

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

14 LONG-TERM LIABILITIES (CONTINUED)

Assets and liabilities associated with hire purchase contracts:

Nr	Carrying Value		Carrying Value	
	Asset 2018 R	Asset 2017 R	Liability 2018 R	Liability 2017 R
1	399 586	439 297	-	99 971
2	698 640	816 586	-	299 349
3	91 197	97 907	-	30 861
4	332 543	357 175	239 112	336 593
5	114 258	123 808	84 082	118 359
6	116 146	130 411	93 542	131 677
7	116 146	130 411	93 542	131 677
	1 868 516	2 095 593	510 278	1 148 488

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 10.1.

	2018 R	2017 R
Hire Purchases are payable as follows:		
Payable within one year	253 559	704 988
Payable within two to five years	316 949	589 495
Total amount payable	570 509	1 294 482
Less: Outstanding Future Finance Charges	(60 230)	(145 994)
Present value of Hire Purchases	510 278	1 148 488

15 CONSUMER DEPOSITS

Electricity	2 160 322	2 126 012
Total	2 160 322	2 126 012
Guarantees held in lieu of Electricity Deposits	-	-

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
16 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	230 602 700	200 174 981
Balance Previously Reported		199 578 776
Prior Period Adjustments - Refer to note 44.2		596 205
Retentions	3 712 142	3 712 142
Interest Accrued	40 432	57 091
Pre-paid electricity	1 824 589	2 431 933
Payments received in advance	2 591 762	5 145 913
Joe Gqabi District Municipality (Water and Sanitation)	569 416	3 482 045
Unallocated Deposits	564 726	564 429
Other Creditors	32 777 118	35 559 031
Sundry deposits	3 586 295	1 539 058
Total	276 269 180	252 666 624

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

17 UNSPENT CONDITIONAL GOVERNMENT GRANTS

National Government	9 833 013	12 088 219
Provincial Government	4 072 345	3 549 222
District Municipality	1 489 886	1 489 886
Total	15 395 244	17 127 327

Detail reconciliations of all grants received and grant conditions met are included in note 24. Unspent grant balances are recognised to the extent that conditions are not yet met.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
18 CURRENT EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	787 781	697 582
Long Service Awards	702 487	482 732
Performance Bonuses	1 523 393	1 523 393
Bonuses	2 227 241	2 227 241
Staff Leave	9 321 318	9 656 215
Total	14 562 219	14 587 162

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Opening Balance	1 523 393	932 471
Contribution during the year	-	590 922
Closing Balance	1 523 393	1 523 393

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses

Opening Balance	2 227 241	2 202 044
Contribution during the year	4 183 713	3 956 027
Payments made	(4 183 713)	(3 930 831)
Closing Balance	2 227 241	2 227 241

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
18		
CURRENT EMPLOYEE BENEFITS (CONTINUED)		
<u>Staff Leave</u>		
Opening Balance	9 656 215	7 388 758
Contribution during the year	1 295 731	3 187 178
Payments made	(1 630 628)	(919 721)
Closing Balance	9 321 318	9 656 215

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

19 PROVISIONS

Compensation for injuries on duty contribution	894 400	894 400
Total	894 400	894 400

The movement in provisions are reconciled as follows:

Compensation for injuries on duty contribution

Balance on Merger Date	894 400	349 439
Contribution during the year	834 261	628 387
Payments made	(834 261)	(83 426)
Closing Balance	894 400	894 400

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate of the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20	EMPLOYEE BENEFITS	2018 R	2017 R
	Post Retirement Medical Benefits	24 468 550	24 296 535
	Long Service Awards	4 881 956	4 299 784
	Sub-Total	29 350 506	28 596 319
	Less: Current portion of Employee Benefits	1 490 268	1 180 314
	Post Retirement Medical Benefits	787 781	697 582
	Long Service Awards	702 487	482 732
	Total	27 860 238	27 416 005

20.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	24 296 535	28 489 414
Contribution during the year	3 516 059	3 512 326
Current Service Cost	1 172 682	1 243 120
Interest Cost	2 343 377	2 269 206
Payments made	(606 768)	(253 483)
Actuarial Gain	(2 737 276)	(7 451 723)
Total balance at year-end	24 468 550	24 296 535
Less Current Portion	787 781	697 582
Total	23 680 769	23 598 953

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2018	2017
In-service members	131	140
In-service non-members	216	227
Continuation members	19	18
Total	366	385

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20	EMPLOYEE BENEFITS (CONTINUED)	2018	2017
		R	R
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	14 367 258	14 678 972
	In-service non-members	1 179 939	1 243 998
	Continuation members	8 921 353	8 373 565
	Total Unfunded Liability	24 468 550	24 296 535

Experience adjustments were calculated as follows:

	R m
Liabilities: (Gain)/Loss	(1.065)
Assets: Gain/(Loss)	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

Key Actuarial Assumptions used are as follows:

Interest Rates	2018	2017
Discount rate	9.63%	9.78%
Health Care Cost Inflation Rate	7.41%	8.06%
Net Effective Discount Rate	2.07%	1.60%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

Normal Retirement Age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

Last Valuation

The last valuation was performed on 10 August 2018.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20 EMPLOYEE BENEFITS (CONTINUED)

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	15.547	8.921	24.468	
Health care inflation				
+ 1%	18.832	9.789	28.621	17%
- 1%	12.955	8.171	21.126	-14%
Discount rate				
+ 1%	13.023	8.191	21.214	-13%
- 1%	18.790	9.779	28.569	17%
Post-retirement mortality				
- 1 year	16.035	9.264	25.299	3%
Average retirement age				
- 1 year	16.833	8.921	25.755	5%
Continuation of membership at retirement				
- 10%	11.809	8.921	20.730	-15%

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.020	2.319	3.339	
Health care inflation				
+ 1%	1.281	2.719	4.000	21%
- 1%	0.820	1.998	2.817	-16%
Discount rate				
+ 1%	0.832	2.214	3.046	-10%
- 1%	1.266	2.432	3.698	12%
Post-retirement mortality				
- 1 year	1.052	2.399	3.451	3%
Average retirement age				
- 1 year	1.088	2.443	3.531	4%
Continuation of membership at retirement				
- 10%	0.736	1.959	2.695	-19%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20	EMPLOYEE BENEFITS (CONTINUED)	2018 R	2017 R
20.2 Long Service Awards			
The movement in Long Service Awards are reconciled as follows:			
	Opening Balance	4 299 784	4 247 908
	Contribution during the year	871 452	809 120
	Current Service Cost	531 634	510 829
	Interest Cost	339 818	298 291
	Payments made	(202 582)	(250 858)
	Actuarial Gain	(111 904)	(506 386)
	Total balance at year-end	4 856 750	4 299 784
	Less Current Portion	702 487	482 732
	Total	4 154 263	3 817 052

The following members are eligible for long service bonuses:

	2018	2017
In-service members	347	367

The liability in respect of past service has been estimated to be as follows:

	2018 R	2017 R
In-service members	4 856 750	4 299 784
Total Unfunded Liability	4 856 750	4 299 784

Experience adjustments were calculated as follows:

	R m
Liabilities: (Gain)/Loss	0.215
Assets: Gain/(Loss)	-

The entity was established on 6 August 2016. No further comparative information (other than the items disclosed above) relating to historical liabilities and experience adjustments are available for disclosure as required by GRAP 25.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20 EMPLOYEE BENEFITS (CONTINUED)

	2018	2017
Key Actuarial Assumptions used are as follows:		
Interest Rates		
Discount rate	8.41%	8.36%
General Salary Inflation (long-term)	6.05%	6.18%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	2.05%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

Last Valuation

The last valuation was performed on 10 August 2018.

Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

Assumption	Total liability (Rm)	% change
Liability	4.857	
General salary inflation		
+ 1%	5.120	5%
- 1%	4.616	-5%
Discount rate		
+ 1%	4.606	-5%
- 1%	5.135	6%
Average retirement age		
- 2 years	4.549	-6%
+ 2 years	5.116	5%
Withdrawal rates		
- 50%	5.724	18%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	0.533	0.380	0.912	
General salary inflation				
+ 1%	0.566	0.402	0.967	0%
- 1%	0.503	0.359	0.862	0%
Discount rate				
+ 1%	0.507	0.401	0.908	0%
- 1%	0.562	0.354	0.917	0%
Average retirement age				
- 2 years	0.507	0.354	0.861	0%
+ 2 years	0.557	0.401	0.958	0%
Withdrawal rates				
- 50%	0.654	0.453	1.107	0%

20.3 Other Pension Benefits

Defined Contribution Plans

	2018 R	2017 R
Council contributes to the following defined contribution plans:		
SALA Pension Fund	3 588 543	3 650 799
Consolidated Retirement Fund	2 398 065	2 377 473
SAMWU National Provident Fund	653 896	1 016 627
Municipal Workers Retirement Fund	1 876 939	1 389 720
Total	8 517 442	8 434 618

Council contributes to the pension funds above which are considered to be defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

21 NON-CURRENT PROVISIONS	2018 R	2017 R
Rehabilitation Provision - Landfill Sites	26 072 831	24 459 033
Total	26 072 831	24 459 033

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance	24 459 033	23 859 547
Contribution during the Year	1 613 798	599 486
Interest Cost	743 363	599 486
Addition/(Disposal)	870 435	-
Total	26 072 831	24 459 033

It is estimated that no site will be rehabilitated within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

The total obligation at year-end can be attributed to the following sites:

Site	Expected Closure Date		
Aliwal North	2020	9 148 307	8 963 560
Burgersdorp	2044	6 687 091	6 160 204
Jamestown	2029	3 940 197	3 581 993
Steynsburg	2021	2 751 225	2 538 462
Venterstad	2051	3 546 011	3 214 815
Total		26 072 831	24 459 033

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

21 NON-CURRENT PROVISIONS (CONTINUED)

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is based on the Earthworks Index as published by Statssa which increased by 3.04% (2017 - 2.51%) during the period under review..

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites as well as to assist the municipality in identifying any changes (if any) to estimated closure dates previously reported on in former entities.

The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m²):

	2018	2017
Aliwal North	21 020	21 020
Burgersdorp	11 800	11 800
Jamestown	6 543	5 914
Steynsburg	2 714	2 625
Venterstad	3 022	3 022

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m²):

Aliwal North	435	426
Burgersdorp	567	522
Jamestown	602	606
Steynsburg	1 014	967
Venterstad	1 173	1 064

22 RESERVES

	2018 R	2017 R
Accumulated Surplus	342 071 468	357 814 388
Total	342 071 468	357 814 388

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

23	PROPERTY RATES	2018 R	2017 R
	Total Property Rates	19 911 120	18 661 347
	Total	19 911 120	18 661 347

Property rate levied are based on the following rateable valuations and disclosed net of any rebates granted:

Former Maletswai Local Municipality

Aliwal Residential	1 331 759 119	1 331 759 119
Sectional Title	30 600 006	30 600 006
Jamestown	58 457 121	58 457 121
Dukathole	277 553 320	277 553 320
Aliwal Agricultural	1 034 793 381	1 034 793 381
Dordrecht Agricultural	740 524 000	740 524 000
Sub-Total	3 473 686 947	3 473 686 947

Former Gariiep Local Municipality

Burgersdorp	369 108 200	369 108 200
Venterstad	68 983 000	68 983 000
Steynsburg	111 494 000	111 494 000
Oviston	67 375 000	67 375 000
Mzamomhle	104 961 000	104 961 000
Khayamnandi	46 301 000	46 301 000
Steynsburg Farms	675 484 000	675 484 000
Odendaalstroom Farms	370 000	370 000
Colesberg Farms	91 494 000	91 494 000
Albert Farms	1 387 221 000	1 387 221 000
Sub-Total	2 922 791 200	2 922 791 200
Total Valuation	6 396 478 147	6 396 478 147

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014 (in former municipalities).

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

23 PROPERTY RATES (CONTINUED)

The following rates are applicable to the valuations above:

	Former Gariep Local Municipality	Former Maletswai Local Municipality
30 JUNE 2018		
Residential Properties	1.147566c/R	0.919765c/R
Residential Properties-mixed use	1.790542c/R	0.0000c/R
Commercial/Business an Industrial Properties	0.251084c/R	1.103718c/R
Public Service Infrastructure properties	0.0000c/R	0.229941c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.134302c/R	0.229941c/R
Agricultural Properties used for Commercial/Industrial purposes	0.0000c/R	0.459882c/R
Agricultural Properties used for Hunting/Trading of Game	0.0000c/R	0.459882c/R
State Owned properties	3.097541c/R	0.919765c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	0.0000c/R	1.839530c/R
Vacant Properties	2.2387521c/R	1.839530c/R
30 JUNE 2017		
Residential Properties	1.078539c/R	0.8644c/R
Residential Properties-mixed use	1.682840c/R	0.0000c/R
Commercial/Business an Industrial Properties	0.235981c/R	1.0373c/R
Public Service Infrastructure properties	0.0000c/R	0.2161c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.126223c/R	0.2161c/R
Agricultural Properties used for Commercial/Industrial purposes	0.0000c/R	0.4322c/R
Agricultural Properties used for Hunting/Trading of Game	0.0000c/R	0.4322c/R
State Owned properties	3.097541c/R	0.8644c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	0.0000c/R	1.7289c/R
Vacant Properties	2.243911c/R	1.7289c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it. The following Rebates are granted:

Indigents (Valuation exemption)	65 000	65 000
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WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

24

GOVERNMENT GRANTS AND SUBSIDIES

	2018 R	2017 R
Unconditional Grants - National Government	49 030 000	43 290 000
Equitable Share	49 030 000	43 290 000
Conditional Grants - National Government	45 178 730	43 847 752
Financial Management Grant (FMG)	4 245 000	3 715 022
Municipal Infrastructure Grant (MIG)	29 687 206	26 496 488
Skills Development Fund	61 524	91 288
Integrated National Electrification Programme (INEP)	5 000 000	5 000 000
Energy Efficiency and Demand Side Management Grant	-	511 967
Expanded Public Works Program (EPWP)	1 619 000	2 438 000
Municipal Demarcation and Transition Grant	4 566 000	5 594 987
Conditional Grants - Provincial Government	4 423 877	2 947 000
Library Grant	1 947 000	1 947 000
Municipal Demarcation and Transition Grant (Provincial)	2 476 877	-
ECDLGTA - Greening and Beautification	-	1 000 000
Other Provincial Allocations	-	-
Conditional Grants - District Municipality	-	1 166 492
Joe Gqabi District Municipality Grant	-	1 166 492
Total	98 632 607	91 251 244
Disclosed as:		
Government Grants and Subsidies - Capital	29 317 616	27 911 207
Government Grants and Subsidies - Operating	69 314 991	63 340 037
Total	98 632 607	91 251 244
Grants per Vote (MFMA Sec 123 (c)):		
Equitable share	49 030 000	43 290 000
Budget and Treasury Office	8 571 459	8 467 303
Community and Social Services	1 947 000	1 947 000
Executive and Council	6 649 831	4 986 450
Road Transport	18 942 860	26 340 948
Sport and Recreation	9 105 492	397 800
Waste Management	-	986 684
Electricity	4 385 965	4 835 059
Total	98 632 607	91 251 244

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
The movements per grant can be summarised as follows:		
24.01 Equitable Share		
Grants Received	49 030 000	43 290 000
Transferred to Revenue - Operating	(49 030 000)	(43 290 000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
24.02 Financial Management Grant (FMG)		
Grants Received	4 245 000	3 835 000
Transferred to Revenue - Operating	(4 245 000)	(3 715 022)
Transferred from Receivables	-	(119 978)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.		
24.03 Municipal Infrastructure Grant (MIG)		
Opening Unspent Balance	2 255 206	2 019 694
Grants Received	29 954 000	27 552 000
Transferred to Revenue - Capital	(24 931 651)	(22 034 120)
Transferred to Revenue - Operating	(4 755 554)	(4 462 368)
Returned to National Revenue Fund	(2 522 000)	(820 000)
Closing Unspent Balance	<u>-</u>	<u>2 255 206</u>
The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.		

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.04 Skills Development Fund		
Grants Received	61 524	91 288
Transferred to Revenue - Operating	(61 524)	(91 288)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The Skills Development fund is utilised to cover expenditure relating to training.		
24.05 Integrated National Electrification Programme (INEP)		
Grants Received	5 000 000	5 000 000
Transferred to Revenue - Capital	(4 385 965)	(4 385 965)
Transferred to Revenue - Operating	(614 035)	(614 035)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.		
24.06 Energy Efficiency and Demand Side Management Grant		
Opening Unspent Balance	-	511 967
Transferred to Revenue - Capital	-	(449 094)
Transferred to Revenue - Operating	-	(62 873)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The grant is utilised to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
24.07 Expanded Public Works Program (EPWP)		
Grants Received	1 619 000	2 438 000
Transferred to Revenue - Operating	(1 619 000)	(2 438 000)
Closing Unspent Balance	<u>-</u>	<u>-</u>
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2018 R	2017 R
	24.08 Municipal Demarcation and Transition Grant		
	Opening Unspent Balance	9 833 013	-
	Grants Received	7 566 000	15 428 000
	Transferred to Revenue - Operating	(7 042 877)	(5 594 987)
	Closing Unspent Balance	10 356 136	9 833 013

To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy. Includes both National and Provincial Allocation.

24.09 Housing Grants

Opening Unspent Balance	2 318 301	2 318 301
Closing Unspent Balance	2 318 301	2 318 301

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improved quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

24.10 Joe Gqabi District Municipality Grant

Opening Unspent Balance	1 489 886	76 500
Grants Received	-	2 579 878
Transferred to Revenue - Capital	-	(1 042 028)
Transferred to Revenue - Operating	-	(124 464)
Closing Unspent Balance	1 489 886	1 489 886

The grant is allocated for the following purposes:

- Street refurbishment Aliwal North
- Fencing of Community Hall
- Sports track upgrading

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.11 Other Provincial Allocations		
Opening Unspent Balance	1 230 921	1 230 921
Grants Received	1 947 000	2 947 000
Transferred to Revenue - Operating	(1 947 000)	(2 947 000)
Closing Unspent Balance	1 230 921	1 230 921
Other Provincial Allocations includes grants such as:		
- Spatial Development Plan		
- Land Survey Management		
- LED Garden Project Jamestown		
- JL De Bruin Grant		
- Other DPLG Funding		
- Library Grant		
- Greening and Beautification Grant		
24.12 Total Grants		
Opening Unspent Balance	17 127 327	6 157 382
Grants Received	99 422 524	103 161 166
Transferred to Revenue - Capital	(29 317 616)	(27 911 207)
Transferred to Revenue - Operating	(69 314 991)	(63 340 037)
Transferred from Receivables	-	(119 978)
Returned to National Revenue Fund	(2 522 000)	(820 000)
Closing Unspent Balance	15 395 244	17 127 327
25 PUBLIC CONTRIBUTIONS AND DONATIONS		
COGHTA	15 000 000	-
Total	15 000 000	-
COGHTA contributed R 15 million towards the outstanding Eskom liability of Walter Sisulu Local Municipality.		
26 FINES		
Traffic Fines	263 009	345 976
Library Fines	1 344	1 714
Meter Tampering	107 113	111 564
Total	371 465	459 253

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
27 ACTUARIAL GAINS		
Post Retirement Medical Benefits	2 737 276	7 451 723
Long Service Awards	111 904	506 386
Total	2 849 180	7 958 108
28 FAIR VALUE ADJUSTMENTS		
Biological Assets	(595 020)	597 200
Total	(595 020)	597 200
29 SERVICE CHARGES		
Electricity Revenue	100 524 538	74 827 436
Refuse Removal Revenue	25 157 987	19 118 115
Total Revenue	125 682 525	93 945 551
Less: Rebates	(12 271 859)	(9 823 064)
Electricity Revenue	(6 257 496)	(5 527 336)
Refuse Removal Revenue	(6 014 362)	(4 295 728)
Total	113 410 666	84 122 488
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.		
30 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest Earned - Service Debtors	5 989 451	4 173 683
Interest Earned - Penalty Interest on Property Rates	1 314 948	944 814
Total	7 304 399	5 118 497
31 LICENCES AND PERMITS		
Drivers License Fees	1 348 366	1 426 276
Public License Fees	101 150	98 028
Roadworthy Certificates	10 268	73 276
Special Permits	48 281	42 058
Vehicle License Fees	1 734 756	1 315 737
Vehicle Registration Fees	405 523	270 550
Total	3 648 344	3 225 925

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
32 AGENCY SERVICES		
Commission on collections	348 777	1 267 028
Prodiba Fees	13 870	351 495
Total	362 647	1 618 523
33 OTHER INCOME		
Admission Fees	440 614	309 504
Encroachment Fees	120 136	103 714
Sundry Income	811 212	596 150
Building Plan & Inspection Fees	116 492	90 426
Electricity Re-Connection Fees	107 424	342 682
Cemetery Fees	468 604	306 348
Total	2 064 481	1 748 824
34 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	55 593 085	48 103 354
Pension and UIF Contributions	9 785 365	8 852 357
Medical Aid Contributions	3 111 912	2 911 768
Overtime	2 274 245	1 546 982
Performance Bonus	-	590 922
Bonuses	4 183 713	3 956 027
Motor Vehicle Allowance	2 479 552	2 540 922
Cellphone Allowance	73 930	158 316
Housing Allowances	655 783	551 315
Standby Allowance	1 061 590	1 125 285
Provision for compensation for injuries on duty	834 261	628 387
Provision for leave	1 295 731	3 187 178
Acting Allowance	769 117	212 378
Skills Development Levy	753 817	679 683
Industrial Council Levy	37 034	32 815
Long service awards	531 634	510 829
Post Retirement Medical Benefits	1 172 682	1 243 120
Total	84 613 449	76 831 637

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

34 EMPLOYEE RELATED COSTS (CONTINUED)

Remuneration of Key Personnel

All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

Remuneration of the Municipal Manager - M P Nonjola

	2018 R	2017 R
Basic Salary	-	230 942
Other benefits and allowances	-	269 416
Total	-	500 358

Remuneration of the Municipal Manager - T A Mawonga

Basic Salary	520 878	910 584
Other benefits and allowances	764 825	327 223
Total	1 285 703	1 237 807

Remuneration of the Community and Social Services - NBB Mokhantso

Basic Salary	507 235	442 380
Other benefits and allowances	652 727	479 096
Total	1 159 961	921 476

Remuneration of the Corporate and Support Services - ZE Pungwani

Basic Salary	-	535 209
Other benefits and allowances	-	318 997
Total	-	854 206

Remuneration of the Technical Services - Z Nongene

Basic Salary	710 787	534 468
Other benefits and allowances	304 416	237 939
Total	1 015 203	772 407

Remuneration of the Chief Financial Officer - T Maseko

Basic Salary	-	433 347
Other benefits and allowances	-	354 357
Total	-	787 703

Remuneration of the acting Chief Financial Officer - U Peter

Acting Allowance	188 031	-
Total	188 031	-

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

35

REMUNERATION OF COUNCILLORS

	2018 R	2017 R
Councillors	6 930 947	5 331 112
Travelling allowance	320 591	64 320
Telephone allowance	999 351	487 215
Total	8 250 888	5 882 648

Remuneration per Councillor

CLlr B Khweyiya	Executive Mayor	883 853	640 888
CLlr NS Mathetha	Speaker	127 682	521 450
CLlr E Theron	PR Councillor	319 260	213 931
CLlr VA Schoeman	PR Councillor	324 210	213 931
CLlr N Ngubo	PR Councillor	396 300	282 712
CLlr MB Mtshingana	PR Councillor	147 192	212 818
CLlr M Jan	PR Councillor	320 385	255 095
CLlr DF Hartkopf	PR Councillor	395 467	282 712
CLlr VD Davids	PR Councillor	396 300	282 712
CLlr M De Ridder Nel	PR Councillor	325 436	213 931
CLlr M Van Heerden	PR Councillor	320 385	213 931
CLlr Y Zweni	PR Councillor	395 190	257 110
CLlr Z Mangali	Ward 1 Councillor	315 682	211 374
CLlr Z Mqokrwana	Ward 2 Councillor	395 568	261 481
CLlr BM Ndika	Ward 3 Councillor	322 140	265 899
CLlr M Solani	Ward 4 Councillor	396 309	265 899
CLlr L Nkunzi	Ward 5 Councillor	319 260	213 961
CLlr ZE Masina	Ward 6 Councillor	316 260	217 323
CLlr M Mdumisa	Ward 7 Councillor	327 809	213 816
CLlr X Mabusela	Ward 8 Councillor	319 260	213 931
CLlr D De Jongh	Ward 9 Councillor	319 260	213 931
CLlr MW Mokhoabane	Ward 10 Councillor	320 646	213 816
CLlr KS Lange	Ward 11 Councillor	547 036	-
Total		8 250 888	5 882 648

Councillor MB Mtshingana and Councillor BM Ndika passed away during the year under review.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
36 DEBT IMPAIRMENT		
Receivables from exchange transactions	24 915 675	26 430 419
Receivables from non-exchange transactions	(1 093 544)	11 222 399
Total Debt Impairment	23 822 131	37 652 818
Movement in VAT included in debt impairment	(2 294 947)	(1 475 276)
Total	21 527 184	36 177 542
37 DEPRECIATION AND AMORTISATION		
Investment Property	919 294	870 739
Property, Plant and Equipment	26 415 258	24 214 905
Property, Plant and Equipment - Capitalised Restoration Cost	864 494	776 860
Intangible Assets	196 388	173 798
Total	28 395 435	26 036 302
38 REPAIRS AND MAINTENANCE		
Land and Buildings	322 596	1 749 948
Investment Property	13 572	32 352
Tools and equipment	308 362	51 567
Furniture and office equipment	44 535	107 115
Vehicles and Implements	984 217	1 037 833
Streets and stormwater	1 229 221	305 123
Landfill Site	161 165	96 620
Electricity Reticulation	523 329	499 231
Swimming Pool	-	24 733
Fencing	2 393	74
Street Lights	116 928	106 069
Total	3 706 317	4 010 665
39 FINANCE CHARGES		
Annuity Loans	344 592	360 529
Actual Payments	176 700	184 059
Unwinding of discounted interest	167 892	176 469
Hire Purchases	70 945	143 474
Rehabilitation Provision - Landfill Sites	743 363	599 486
Post Retirement Medical Benefits	2 343 377	2 269 206
Long Service Awards	339 818	298 291
Overdraft Facilities	-	37
Interest on Overdue Accounts	14 162 018	8 235 990
Total	18 004 113	11 907 013

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
40 BULK PURCHASES		
Electricity	82 544 376	70 593 781
Total	82 544 376	70 593 781
41 TRANSFERS AND GRANTS		
Indigent Subsidies	70 355	191 813
Total	70 355	191 813
42 OPERATING GRANT EXPENDITURE		
Expanded Public Works Program	1 775 733	2 438 000
Financial and Systems Management	4 055 699	4 033 216
Municipal Demarcation and Transition Grant	6 649 831	4 644 052
Valuation Costs	34 070	144 923
Total	12 515 333	11 260 190
43 OTHER EXPENDITURE		
Advertisements	392 014	161 110
Audit Fees	193 270	6 327 584
Bank Charges and other related costs	342 835	363 139
Books, Publications and magazines	24 175	2 078
Cleaning Materials and Chemicals	172 442	94 560
Commission Prepaid Vendors	1 596 795	1 286 170
Electricity (Eskom)	1 349 878	1 067 587
Insurance	1 377 791	1 120 260
Integrated development planning	28 450	7 120
Legal Costs	1 297 160	1 656 938
License Fees	1 437 162	2 147 757
Local Government Activities	111 561	186 432
Membership Fees	18 860	21 050
Postage	10 182	9 592
Printing and Stationary	839 558	941 269
Professional Services	1 573 145	144 972
Projects from own funds	(18 714)	197 725
Protective Clothing	6 257	50 774
Security Services	2 644 591	2 026 299
Subsistence and Travelling	1 964 310	1 336 250
Telephone Charges	2 250 273	1 641 296
Training	1 535 135	289 875
Transport Costs	-	829
Vehicle: Fuel & Oil	2 227 401	1 621 180
Water Purchases	-	58
General Expenses	1 958 303	2 219 319
Total	23 332 835	24 921 223

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
44 PRIOR PERIOD ADJUSTMENTS		
44.1 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Balance Previously Reported		19 673 112
Correction of prior year revenue incorrectly raised - Refer to note 44.4		(7 176 226)
Restated Balance on 30 June 2017		12 496 886
44.2 PAYABLES FROM EXCHANGE TRANSACTIONS		
Balance Previously Reported		252 070 419
Raise payables previously not accounted for on 30 June 2017 - Refer to note 44.4		596 205
Restated Balance on 30 June 2017		252 666 624
44.3 ACCUMULATED SURPLUS		
Balance Previously Reported		365 586 819
Corrections relating to 2016/17 - Refer to note 44.4		(7 772 431)
Restated Balance on 30 June 2017		357 814 388
44.4 STATEMENT OF FINANCIAL PERFORMANCE		
Deficit previously reported		(41 689 508)
Raise payables previously not accounted for on 30 June 2017 - Refer to note 44.2		(596 205)
Effect on Operating Grant Expenditure		(146 596)
Effect on Other Expenditure		(449 609)
Correction of prior year revenue incorrectly raised - Refer to note 44.1		(7 176 226)
Effect on Service Charges		(7 082 795)
Effect on Other Revenue		(93 431)
Restated Deficit on 30 June 2017		(49 461 939)

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
45 CASH FROM OPERATIONS		
Net Surplus/(Deficit) for the year	(15 742 920)	(49 461 939)
Non-Cash Expenditure and Revenue	51 262 909	57 001 988
Actuarial Gains	(2 849 180)	(7 958 108)
Fair Value Adjustments	-	(597 200)
Fair Value Adjustments (Expense)	595 020	-
Debt Impairment	21 527 184	36 177 542
Depreciation and Amortisation	28 395 435	26 036 302
Finance Charges	3 594 450	3 343 453
Contributions - Provisions and Employee Benefits	8 018 020	10 116 464
Post Retirement Medical Benefits	1 172 682	1 243 120
Long Service Awards	531 634	510 829
Performance Bonuses	-	590 922
Bonuses	4 183 713	3 956 027
Staff Leave	1 295 731	3 187 178
Compensation for Injury on Duty	834 261	628 387
Expenditure - Provisions and Employee Benefits	(7 457 951)	(5 438 318)
Post Retirement Medical Benefits	(606 768)	(253 483)
Long Service Awards	(202 582)	(250 858)
Bonuses	(4 183 713)	(3 930 831)
Staff Leave	(1 630 628)	(919 721)
Compensation for Injury on Duty	(834 261)	(83 426)
Other adjustments	(12 549 920)	(6 337 477)
Bad Debts Written Off	(10 027 920)	(5 517 477)
Grants Withheld	(2 522 000)	(820 000)
Operating Surplus before changes in working capital	23 530 139	5 880 718
Movement in working capital	(3 615 107)	43 228 801
Receivables from exchange and non-exchange transactions	(17 936 726)	8 503 086
Deferred Revenue	-	(18 789 951)
Inventory	-	(35 836)
Payables from exchange transactions	23 627 762	48 931 075
Unspent Conditional Government Grants	789 917	11 789 944
Taxes	(10 096 061)	(7 169 517)
Cash Flow from Operating Activities	19 915 032	49 109 519

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
46 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Current Accounts	4 373 903	1 676 055
Call Investments and Notice Deposits	883 032	19 967 258
Cash Floats	18 264	14 764
Total	5 275 199	21 658 077

Refer to note 2 for more details relating to cash and cash equivalents.

47 BUDGET COMPARISONS

47.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of financial position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

47 BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Operating Grant Expenditure, Fair Value Adjustments and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

47.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

None

Statement of financial position - Budget versus Actual

None

Statement of financial performance - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the municipality.

Statement of financial performance - Budget versus Actual

None

Cash Flow Statement - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the

Cash Flow Statement - Budget versus Actual

Refer to reasons provided under Statement of Financial Position and Statement of Financial Performance above.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
48.1 UNAUTHORISED EXPENDITURE		
Unauthorised expenditure consist out of the following:		
Opening Balance	146 854 988	71 783 996
Transferred from Maletswai Local Municipality		37 120 119
Transferred from Gariep Local Municipality		34 663 877
Unauthorised expenditure current year - operating	61 806 362	64 826 837
Unauthorised expenditure current year - capital	1 373 479	10 244 155
Approved by Council	-	-
Unauthorised expenditure awaiting approval	210 034 829	146 854 988

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis was performed and submitted to Council to condone.

	2018 (Actual) R	2018 (Final Budget) R	2018 (Unauthorised) R
Unauthorised expenditure - Operating			
Executive and Council	27 803 231	25 377 710	2 425 521
Planning and Development	6 235 078	6 582 471	-
Budget and Treasury Office	54 770 135	40 833 107	13 937 028
Public Safety	5 576 582	6 145 500	-
Road Transport	30 531 170	22 867 749	7 663 421
Other	3 337 795	2 351 577	986 218
Waste Management	38 620 683	20 301 852	18 318 831
Sport and Recreation	2 370 710	2 313 876	56 834
Community and Social Services	5 293 884	6 506 993	-
Housing	2 710 562	2 931 781	-
Electricity	106 305 477	87 886 966	18 418 511
Total	283 555 306	224 099 583	61 806 362

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

48

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2018 (Actual) R	2018 (Final Budget) R	2018 (Unauthorised) R
Unauthorised expenditure - Capital			
Executive and Council	92 617	30 000	62 617
Budget and Treasury Office	15 893	3 030 000	-
Public Safety	337 561	-	337 561
Road Transport	17 288 735	28 466 300	-
Waste Management	958 109	-	958 109
Sport and Recreation	9 668 286	-	-
Community and Social Services	18 056	20 000	-
Planning and Development	15 191	-	15 191
Electricity	7 651 351	9 010 000	-
Total	36 045 800	40 556 300	1 373 479

2018
R

2017
R

48.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening Balance	46 603 279	38 367 289
Transferred from Maletswai Local Municipality		12 287 794
Transferred from Gariep Local Municipality		26 079 495
Fruitless and wasteful expenditure incurred	14 903 685	8 235 990
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting approval	61 506 964	46 603 279

Details of Fruitless and wasteful expenditure incurred :

Interest on late payments	14 162 018	8 235 990
Overpayment of creditors	169 599	-
Penalties incurred - SARS	572 068	-
Total	14 903 685	8 235 990

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
48.3 IRREGULAR EXPENDITURE		
Irregular expenditure consist out of the following:		
Opening Balance	48 114 622	47 181 250
Transferred from Maletswai Local Municipality		2 015 137
Transferred from Gariep Local Municipality		45 166 113
Irregular expenditure incurred	4 817 106	933 372
Approved by Council	-	-
Irregular expenditure awaiting approval	52 931 728	48 114 622

Details of Irregular expenditure incurred :

Suppliers not registered on CSD	-	889 503
SCM Procedures not followed	4 817 106	43 869
Total	4 817 106	933 372

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

48.4 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	88 334 402	77 403 340
- Units sold (Kwh)	74 103 458	63 634 276
- Units lost during distribution (Kwh)	14 230 944	13 769 064
- Percentage lost during distribution	16.11%	17.79%
- Rand Value of Loss	7 025 599	12 557 730

The root causes of these losses are technical and administrative in nature. Technical losses are distribution network electrical losses inherent in the physical delivery of electric energy. It includes conductor losses, transformer core losses, and potential/current coils in metering equipment. Administrative losses includes distribution network losses that accounts for the electric energy used by the distribution utility in the proper operation of the distribution network.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
49.1 Salga Contributions [MFMA 125 (1)(b)]		
Opening balance	4 076 270	3 045 104
Expenditure incurred	902 189	1 031 166
Outstanding Balance	4 978 459	4 076 270
49.2 Audit Fees [MFMA 125 (1)(c)]		
Opening balance	11 910 606	6 259 782
Expenditure incurred	916 491	6 709 677
External Audit - Auditor-General	916 491	6 444 930
Internal Audit	-	237 826
Audit Committee	-	26 922
Payments	(5 691 292)	(2 014 748)
Interest on late payment - Auditor-General	-	955 895
Outstanding Balance	7 135 806	11 910 606
49.3 VAT [MFMA 125 (1)(c)]		
Opening balance	959 335	5 224 465
Movement during the year	(10 073 860)	(4 265 130)
Outstanding Balance	(9 114 525)	959 335
Vat in suspense due to cash basis of accounting	(32 032 006)	(32 009 805)
VAT is accounted for on the cash basis.		
49.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Opening balance	7 522 054	7 522 054
Payments due to SARS	10 102 522	9 350 317
Payments	(10 143 453)	(9 350 317)
Outstanding Balance	7 481 124	7 522 054

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
49.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]		
Opening balance	16 732 253	22 837 766
Payments due to pension fund and medical aid	17 979 929	17 963 622
Payments	(17 979 929)	(24 069 135)
Outstanding Balance	16 732 253	16 732 253

49.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillors had arrear accounts outstanding for more than 90 days during the year ending 30 June 2018.

	90 Days R	90 Days R
ClIr VA Schoeman	1 321	274
ClIr N Ngubo	1 509	611
ClIr Y Zweni	6 804	5 254
ClIr Z Mqokrwana	38 700	34 806
ClIr M Solani	4 033	3 447
ClIr L Nkunzi	7 383	5 690
ClIr AJ van Heerden	1 155	-
ClIr B Khweyiya	16 101	-
ClIr D De Jongh	-	714

49.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.

Impractical to follow SCM process	2 386 992	3 261 878
Emergency	236 553	444 169
Single provider	85 440	-
Special Works	41 477	17 121
Total	2 750 462	3 723 168

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

49.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

2018
R

2017
R

49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

49.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the year under review, the municipality engaged with the following employees in service of the state (SCM 44)

None

50 CAPITAL COMMITMENTS

Approved and contracted for - Infrastructure

-

13 963 600

All Commitments will be financed from Government Grants.

51 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

51.1 Credit Risk

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.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
51 FINANCIAL RISK MANAGEMENT (CONTINUED)		
The following financial assets are exposed to credit risk:		
Cash and Cash Equivalents	5 256 935	21 643 312
Receivables from exchange transactions	23 466 545	12 496 886
Receivables from non-exchange transactions	6 955 042	8 828 443
Non-Current Investments	1 368 838	1 368 838
Total	37 047 360	44 337 480

Cash and Cash Equivalents and Non-Current Investments

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to notes 3 and 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
51 FINANCIAL RISK MANAGEMENT (CONTINUED)		
The following service receivables are considered passed due (more than 30 Days Outstanding):		
Rates	25 261 192	28 935 617
Electricity	19 837 347	8 482 100
Refuse	51 289 005	42 970 841
Other	17 896 509	16 009 471
Total	114 284 052	96 398 029

Rates is not considered to be a financial asset, but is included in analysis for user purposes.

Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

51.2 Currency risk (Market Risk)

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.

The financial instruments of the municipality is not directly exposed to any currency risk.

51.3 Interest rate risk (Market Risk)

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.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	5 256 935	21 643 312
Non-Current Investments	1 368 838	1 368 838
Long-term Liabilities (Including Current Portion)	2 888 500	3 965 136
Non-Current Provisions	26 072 831	24 459 033
Net balance exposed	35 587 104	51 436 320

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year/period:

0.5% increase in interest rates	177 936	257 182
1% decrease in interest rates	(355 871)	(514 363)

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

51.4 Liquidity risk

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.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

30 JUNE 2018	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	598 029	1 622 236	1 823 910
Hire Purchases	253 559	316 949	-
Payables from exchange transactions	271 288 102	-	-
Total	272 139 690	1 939 185	1 823 910

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

30 JUNE 2017

	Within 1 Year	PAYABLE Two to five years	After five years
Annuity Loans	790 498	1 814 573	2 229 380
Hire Purchases	704 988	589 495	-
Payables from exchange transactions	244 524 348	-	-
Total	246 019 834	2 404 067	2 229 380

51.5 Other price risk (Market 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.

The municipality is not exposed to any other price risk.

2018
R

52 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

Financial Assets

Cash and Cash Equivalents	5 275 199	21 658 077
Receivables from exchange transactions	23 466 545	12 496 886
Receivables from non-exchange transactions	6 955 042	8 828 443
Non-Current Investments	1 368 838	1 368 838
Total	37 065 624	44 352 244

Financial Liabilities

Current Portion of Long-term Liabilities	657 687	1 227 085
Payables from exchange transactions	271 288 102	244 524 348
Long-term Liabilities	2 230 813	2 738 051
Total	274 176 602	248 489 484

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
53 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Rates	1 277 924	3 936 720
Taxes	41 146 531	31 050 470
Total	42 424 455	34 987 190

Refer to notes 4 and 6 for more detail relating to the rates receivables and taxes

54 EVENTS AFTER REPORTING DATE

None

55 IN-KIND DONATIONS AND ASSISTANCE

The municipality received assistance from Coghta during the year under review. Refer to note 25

56 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

57 CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at period end:

57.1 Matthews Mbobo, Amanda Mbobo and Playlink Singers - Claims of R100 000 (30 June 2016 - R 100 000) from the municipality made on 29 May 2014 regarding the special and general damages suffered by the claimant for economic loss incurred in making 800 tickets which were sold in advance, advertising, making beamers and posters, making tickets, possible profit, possible selling of CDs and DVDs, booking, rental and deposit paid, inconvenience, humiliation, impairment of dignity and reputation resulting from an erroneous allocation or booking of the same venue to two different events at the same time. Adequate notice for cancellation was not given to the claimant for alternative arrangements. The municipality has opted to defend the case.

The outflow of the future economic benefits will be confirmed by the outcome of the court ruling, an event that will occur subsequent to year end over which the municipality has no control.

The municipality is not expecting any re-imburement on the damages made against it and no contingent asset has been recognised.

57.2 The trustees of the Pollard Familie Trust has submitted a litigation claim for damages made the municipality's buffaloes that broke out of the nature reserve and grazed on the farm of the applicant. The applicant's farm is mostly veld pasture with approximately 22 hectares of planted pastures, currently under Lucerne cultivation. The applicant established the Lucerne explicitly for hay production as an income for the farm. The applicant has suffered damages due to the Respondent's buffaloes' unauthorised grazing on the Lucerne pastures.

The applicant is suing the municipality for R940 642 (30 June 2017 - R 940 642)

57.3 The municipality was sued by Mr NW Ngoqo the former employee of the municipality for pension fund contributions not paid over to him due to non-payment of arrear contributions owed by the municipality to the pension fund. Plaintiff suffered damages of R329 146.73 in Pension fund contributions and loss in growth of R162 772.46. Total liability of Defendant is R491 919.19 [Summons is dated 2017/07/03]

57.4 The municipality was sued by Umhlaba Valuers for services rendered on the municipal valuation. The summons is dated 2017/02/28] and the rand value of damages are not specified.

58 RELATED PARTIES

Related parties are defined in note 1.36

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

58 RELATED PARTIES (CONTINUED)

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 34 and 35

The municipality engaged with related entities in service of the state (SCM 44) - Refer to note 49.9

The Municipal Manager of the Walter Sisulu Local Municipality is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

Walter Sisulu Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

59 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The majority of outstanding debt owed to the municipality is outstanding for more than 90 days. The inability to recover old debt from consumers has placed constraints on the cash flow of the municipality resulting in

Management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in electricity usage to the value of R 7 025 599 (R 7 602 628). This represents a loss of 16,11 (2017 - 17.7%).

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

59 FINANCIAL SUSTAINABILITY (CONTINUED)

Operating Indicators

No capital grant funds were utilised for operations in the period ending 30 June 2017 and 30 June 2018.

Outstanding payables (especially Eskom) are high with payment periods exceeding the 30 day limit in terms of legislation. This can mainly be attributed to the current cash constraints experienced by the municipality.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 48 above.

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2018

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2017 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2018 R
<u>ANNUITY LOANS</u>							
DBSA	102312	5.00%	2027-09-30	3 281 069	-	(244 455)	3 036 614
DBSA	102619	5.00%	2018-09-30	549 550	-	(361 864)	187 686
Total Annuity Loans				3 830 619	-	(606 319)	3 224 300
<u>HIRE PURCHASES</u>							
ABSA (TATA Water Truck)	83338631	10.25%	2017-12-15	99 971	-	(99 971)	-
ABSA (Nissan UD 330)	83577440	10.25%	2018-03-01	299 349	-	(299 349)	-
ABSA (Isuzu KB 200I)	83520421	10.25%	2018-03-01	30 861	-	(30 861)	-
FNB (CHEVROLET TRAILBLAZER)	85237353353	10.25%	2020-10-01	336 593	-	(97 481)	239 112
FNB (NISSAN NP200 1.6)	85237353492	10.25%	2020-10-01	118 359	-	(34 278)	84 082
FNB (Chevrolet Aveo)	85237353505	10.25%	2020-10-01	131 677	-	(38 135)	93 542
FNB (Chevrolet Aveo)	85237353517	10.25%	2020-10-01	131 677	-	(38 135)	93 542
Total Hire Purchases				1 148 488	-	(638 210)	510 278
Total Long-Term Liabilities				4 979 107	-	(1 244 529)	3 734 578

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

VOTE	30 JUNE 2018			30 JUNE 2017		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R	R	R	R
Council	6 649 831	(20 928 372)	(14 278 541)	5 016 888	(21 635 500)	(16 618 612)
Municipal Manager	-	(5 723 356)	(5 723 356)	13 354	(6 917 991)	(6 904 637)
Strategic Services	-	(1 151 504)	(1 151 504)	-	(880 814)	(880 814)
Corporate Services	61 524	(10 639 223)	(10 577 699)	91 800	(9 064 300)	(8 972 500)
Occupational Health & Safety	-	-	-	-	(40 096)	(40 096)
Financial Services	69 945 645	(37 960 033)	31 985 612	66 276 589	(41 461 554)	24 815 035
Assessment Rates	19 911 120	-	19 911 120	18 661 347	-	18 661 347
Administration and Land Affairs	2 225 732	(5 505 509)	(3 279 776)	2 047 944	(7 206 613)	(5 158 669)
Information and Communication Technology	-	(665 371)	(665 371)	-	(1 846 943)	(1 846 943)
Integrated Development Planning	-	(3 645 254)	(3 645 254)	-	(2 941 004)	(2 941 004)
Special Program Unit	5	(501 105)	(501 100)	-	(421 455)	(421 455)
Local Economic Development	-	(604 860)	(604 860)	-	(797 490)	(797 490)
Planning and Economic Development	-	(1 483 860)	(1 483 860)	-	(1 000 872)	(1 000 872)
Community Services	-	(2 853 439)	(2 853 439)	-	(2 631 776)	(2 631 776)
Cemetery	469 210	11 867	481 077	306 348	(5 354)	300 994
Libraries	1 985 223	(2 399 885)	(414 662)	1 976 621	(2 067 286)	(90 664)
Conference Centre and Community Halls	78 860	(49 668)	29 192	58 690	(38 727)	19 963
Museum	-	(2 759)	(2 759)	-	(1 364)	(1 364)
Housing	-	(2 710 562)	(2 710 562)	-	(2 328 202)	(2 328 202)
Traffic	4 084 726	(5 576 582)	(1 491 856)	5 154 895	(6 053 313)	(898 418)
Sport Grounds	9 109 480	(16 473)	9 093 007	401 127	(7 570)	393 557
Aliwal Spa	446 369	(2 354 237)	(1 907 868)	367 659	(1 939 626)	(1 571 967)
Refuse Removal	19 152 231	(32 839 611)	(13 687 380)	15 810 681	(31 745 948)	(15 935 267)
Parks and Public Places	20 750	(5 781 072)	(5 760 322)	64 482	(4 861 755)	(4 797 273)
Technical Services	2 808	(3 207 893)	(3 205 085)	1 628	(2 624 053)	(2 622 425)
Public Works	18 969 270	(27 323 277)	(8 354 007)	26 369 359	(22 961 629)	3 407 730
Electricity	114 158 907	(106 305 477)	7 853 430	74 821 164	(94 692 316)	(19 871 153)
Aerodrome	15 160	(2 896)	12 264	13 249	(25 513)	(12 264)
Commonage	152 123	(5 241)	146 882	152 605	(2 592)	150 013
Nature Reserve	121 985	(595 604)	(473 619)	597 691	(11 550)	586 141
Municipal Buildings	251 428	(2 734 053)	(2 482 625)	146 754	(1 599 608)	(1 452 854)
Total	267 812 386	(283 555 306)	(15 742 920)	218 350 875	(267 812 814)	(49 461 939)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (GFS) FOR THE YEAR ENDING 30 JUNE 2018

VOTE	30 JUNE 2018			30 JUNE 2017		
	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R	REVENUE R	EXPENDITURE R	SURPLUS/ (DEFICIT) R
Executive and Council	6 649 831	(27 803 231)	(21 153 400)	5 030 242	(29 434 305)	(24 404 062)
Planning and Development	5	(6 235 078)	(6 235 073)	-	(5 160 821)	(5 160 821)
Budget and Treasury Office	92 144 021	(54 770 135)	37 373 886	87 077 680	(59 619 505)	27 458 175
Public Safety	4 084 726	(5 576 582)	(1 491 856)	5 154 895	(6 053 313)	(898 418)
Road Transport	18 972 078	(30 531 170)	(11 559 092)	26 370 987	(25 585 682)	785 305
Other	540 696	(3 337 795)	(2 797 099)	910 299	(1 639 263)	(728 964)
Waste Management	19 172 981	(38 620 683)	(19 447 702)	15 875 163	(36 607 704)	(20 732 540)
Sport and Recreation	9 555 849	(2 370 710)	7 185 140	768 785	(1 947 196)	(1 178 411)
Community and Social Services	2 533 293	(5 293 884)	(2 760 591)	2 341 659	(4 744 507)	(2 402 848)
Housing	-	(2 710 562)	(2 710 562)	-	(2 328 202)	(2 328 202)
Electricity	114 158 907	(106 305 477)	7 853 430	74 821 164	(94 692 316)	(19 871 153)
Total	267 812 386	(283 555 306)	(15 742 920)	218 350 875	(267 812 814)	(49 461 939)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

	BALANCE ON MERGER DATE R	GRANTS RECEIVED R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	RETURNED TO TREASURY R	TRANSFERRED FROM RECEIVABLES R	CLOSING BALANCE R
NATIONAL GOVERNMENT							
Equitable Share	-	49 030 000	(49 030 000)	-	-	-	-
Financial Management Grant (FMG)	-	4 245 000	(4 245 000)	-	-	-	-
Municipal Infrastructure Grant (MIG)	2 255 206	29 954 000	(4 755 554)	(24 931 651)	(2 522 000)	-	-
Skills Development Fund	-	61 524	(61 524)	-	-	-	-
Integrated National Electrification Programme (INEP)	-	5 000 000	(614 035)	(4 385 965)	-	-	-
Expanded Public Works Program (EPWP)	-	1 619 000	(1 619 000)	-	-	-	-
Municipal Demarcation and Transition Grant	9 833 013	4 566 000	(4 566 000)	-	-	-	9 833 013
Total	12 088 219	94 475 524	(64 891 114)	(29 317 616)	(2 522 000)	-	9 833 013
PROVINCIAL GOVERNMENT							
Library Grant	-	1 947 000	(1 947 000)	-	-	-	-
Municipal Demarcation and Transition Grant	-	3 000 000	(2 476 877)	- *	-	-	523 123
Spatial Development Plan	361 000	-	-	-	-	-	361 000
1218 Link Houses	271 617	-	-	-	-	-	271 617
330 Houses	168 331	-	-	-	-	-	168 331
Area 5 Services	63 514	-	-	-	-	-	63 514
Hilton 89 Houses	6 746	-	-	-	-	-	6 746
Area 13 - Fund	98 454	-	-	-	-	-	98 454
318 Houses Jamestown	373 367	-	-	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	-	-	-	-	6 090

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

Jamestown 858 Houses	639 778	-	-	-	-	-	639 778
838 Wonings Fonds	690 403	-	-	-	-	-	690 403
Land Survey Management	467 500	-	-	-	-	-	467 500
LED Garden Project Jamestown	97 454	-	-	-	-	-	97 454
JL De Bruin Dam	193 973	-	-	-	-	-	193 973
DPLG Funding (Gariep)	110 993	-	-	-	-	-	110 993
Total	3 549 222	4 947 000	(4 423 877)	-	-	-	4 072 345
DISTRICT MUNICIPALITY							
Joe Gqabi District Municipality Grant	1 489 886	-	-	-	-	-	1 489 886
Total	1 489 886	-	-	-	-	-	1 489 886
ALL SPHERES GOVERNMENT	17 127 327	99 422 524	(69 314 991)	(29 317 616)	(2 522 000)	-	15 395 244

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
REVENUE					
Governance and administration	94 027 926	(1 267 322)	92 760 603	98 793 852	6 033 249
Executive and council	9 142 000	-	9 142 000	6 649 831	(2 492 169)
Budget and treasury office	84 885 926	(1 267 322)	83 618 603	92 144 021	8 525 417
Internal Audit	-	-	-	-	-
Community and public safety	5 036 216	14 510 700	19 546 916	16 173 867	(3 373 048)
Community and social services	4 510 674	175 889	4 686 563	2 533 293	(2 153 271)
Sport and recreation	525 542	5 710 216	6 235 757	9 555 849	3 320 092
Public safety	-	8 624 595	8 624 595	4 084 726	(4 539 870)
Economic and environmental services	41 507 363	(6 898 264)	34 609 099	18 972 083	(15 637 016)
Planning and development	323 988	-	323 988	5	(323 983)
Road transport	41 183 375	(6 898 264)	34 285 111	18 972 078	(15 313 033)
Trading services	114 812 836	1 924 404	116 737 240	133 331 888	16 594 648
Electricity	93 614 527	(3 948 820)	89 665 708	114 158 907	24 493 199
Waste management	21 198 309	5 873 223	27 071 532	19 172 981	(7 898 551)
Other	1 027 100	14 924	1 042 025	540 696	(501 329)
Total Revenue - Standard	256 411 441	8 284 442	264 695 883	267 812 386	3 116 503

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
EXPENDITURE					
Governance and administration	81 136 791	(14 925 973)	66 210 817	82 573 366	16 362 549
Executive and council	42 425 664	(17 047 954)	25 377 710	27 803 231	2 425 521
Budget and treasury office	38 711 126	2 121 981	40 833 107	54 770 135	13 937 028
Internal Audit	-	-	-	-	-
Community and public safety	12 125 433	5 772 717	17 898 150	15 951 736	(1 946 414)
Community and social services	7 034 770	(527 777)	6 506 993	5 293 884	(1 213 109)
Sport and recreation	2 879 270	(565 394)	2 313 876	2 370 710	56 834
Public safety	-	6 145 500	6 145 500	5 576 582	(568 918)
Housing	2 211 393	720 388	2 931 781	2 710 562	(221 219)
Economic and environmental services	41 103 262	(11 653 042)	29 450 220	36 766 248	7 316 028
Planning and development	3 068 739	3 513 732	6 582 471	6 235 078	(347 393)
Road transport	38 034 523	(15 166 774)	22 867 749	30 531 170	7 663 421
Trading services	218 455 017	(110 266 198)	108 188 819	144 926 160	36 737 341
Electricity	199 962 935	(112 075 968)	87 886 966	106 305 477	18 418 511
Waste management	18 492 082	1 809 770	20 301 852	38 620 683	18 318 831
Other	3 090 899	(739 322)	2 351 577	3 337 795	986 218
Total Expenditure - Standard	355 911 402	(131 811 818)	224 099 583	283 555 306	59 455 722
Surplus/(Deficit) for the year	(99 499 961)	140 096 260	40 596 300	(15 742 920)	(56 339 219)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
REVENUE					
Executive and council	9 142 000	-	9 142 000	6 649 831	(2 492 169)
Budget and treasury office	84 885 926	(1 267 322)	83 618 603	92 144 021	8 525 417
Planning and development	323 988	-	323 988	5	(323 983)
Community and social services	4 510 674	175 889	4 686 563	2 533 293	(2 153 271)
Public safety	6 923 154	1 701 441	8 624 595	4 084 726	(4 539 870)
Sport and recreation	525 542	5 710 216	6 235 757	9 555 849	3 320 092
Waste management	21 198 309	5 873 223	27 071 532	19 172 981	(7 898 551)
Road transport	34 260 220	24 890	34 285 111	18 972 078	(15 313 033)
Electricity	93 614 527	(3 948 820)	89 665 708	114 158 907	24 493 199
Other	1 027 100	14 924	1 042 025	540 696	(501 329)
Total Revenue by Vote	256 411 441	8 284 442	264 695 883	267 812 386	3 116 503

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
EXPENDITURE					
Executive and council	42 425 664	(17 047 954)	25 377 710	27 803 231	2 425 521
Budget and treasury office	38 711 126	2 121 981	40 833 107	54 770 135	13 937 028
Planning and development	3 068 739	3 513 732	6 582 471	6 235 078	(347 393)
Community and social services	7 034 770	(527 777)	6 506 993	5 293 884	(1 213 109)
Housing	2 211 393	720 388	2 931 781	2 710 562	(221 219)
Public safety	6 969 472	(823 972)	6 145 500	5 576 582	(568 918)
Sport and recreation	2 879 270	(565 394)	2 313 876	2 370 710	56 834
Waste management	18 492 082	1 809 770	20 301 852	38 620 683	18 318 831
Road transport	31 065 051	(8 197 302)	22 867 749	30 531 170	7 663 421
Electricity	199 962 935	(112 075 968)	87 886 966	106 305 477	18 418 511
Other	3 090 899	(739 322)	2 351 577	3 337 795	986 218
Total Expenditure by Vote	355 911 402	(131 811 818)	224 099 583	283 555 306	59 455 722
Surplus/(Deficit) for the year	(99 499 961)	140 096 260	40 596 300	(15 742 920)	(56 339 219)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
REVENUE BY SOURCE					
Property rates	25 665 183	6 734 817	32 400 000	19 911 120	(12 488 880)
Service charges - electricity revenue	83 809 788	-	83 809 788	94 267 041	10 457 253
Service charges - refuse revenue	14 346 523	5 838 740	20 185 263	19 143 625	(1 041 638)
Rental of facilities and equipment	3 191 263	(69 262)	3 122 001	2 458 414	(663 587)
Interest earned - external investments	887 542	1 612 458	2 500 000	1 686 081	(813 919)
Interest earned - outstanding debtors	5 201 066	-	5 201 066	7 304 399	2 103 333
Fines	373 990	251 322	625 311	371 465	(253 846)
Licences and permits	4 048 192	1 499 523	5 547 715	3 648 344	(1 899 372)
Agency services	3 181 360	-	3 181 360	362 647	(2 818 713)
Transfers recognised - operational	71 468 082	(10 000 000)	61 468 082	69 314 991	7 846 908
Other revenue	6 687 357	1 367 207	8 054 564	20 026 644	11 972 080
Gains on disposal of PPE	95 095	-	95 095	-	(95 095)
Total Revenue (excluding capital transfers and contributions)	218 955 441	7 234 805	226 190 246	238 494 770	12 304 524

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
EXPENDITURE BY TYPE					
Employee related costs	87 589 029	2 042 079	89 631 108	84 613 449	(5 017 658)
Remuneration of councillors	6 981 529	1 336 180	8 317 709	8 250 888	(66 821)
Debt impairment	2 500 000	-	2 500 000	21 527 185	19 027 185
Depreciation & asset impairment	16 631 090	(8 953 513)	7 677 577	28 395 435	20 717 858
Finance charges	369 267	8 238	377 505	18 004 113	17 626 608
Bulk purchases	72 000 000	3 600 000	75 600 000	82 544 376	6 944 376
Transfers and grants	363 772	-	363 772	70 355	(293 417)
Other expenditure	31 775 456	7 856 458	39 631 914	40 149 505	517 591
Total Expenditure	218 210 143	5 889 442	224 099 585	283 555 306	59 455 721
Surplus/(Deficit)	745 298	1 345 363	2 090 661	(45 060 536)	(47 151 197)
Transfers recognised - capital	37 456 000	1 049 637	38 505 637	29 317 616	(9 188 021)
Surplus/(Deficit) for the year	38 201 298	2 395 000	40 596 298	(15 742 920)	(56 339 218)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
CAPITAL EXPENDITURE (VOTE)					
Single-year expenditure					
Executive and council	30 000	400 000	30 000	92 617	62 617
Budget and treasury office	30 000	-	3 030 000	15 893	(3 014 107)
Community and social services	20 000	-	20 000	18 056	(1 944)
Housing	-	-	-	337 561	337 561
Planning and Development	-	-	-	958 109	958 109
Sport and recreation	-	-	-	9 668 286	9 668 286
Waste management	-	-	-	958 109	958 109
Road transport	28 466 300	-	28 466 300	17 288 735	(11 177 565)
Electricity	9 010 000	-	9 010 000	7 651 351	(1 358 649)
Total Capital Expenditure by Vote	37 556 300	400 000	40 556 300	36 988 718	(3 567 582)

CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)

Governance and administration	60 000	3 000 000	3 060 000	108 511	(2 951 489)
Executive and council	30 000	-	30 000	92 617	62 617
Budget and treasury office	30 000	3 000 000	3 030 000	15 893	(3 014 107)
Internal audit	-	-	-	-	-

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
Community and public safety	20 000	-	20 000	10 982 012	10 962 012
Community and social services	20 000	-	20 000	18 056	(1 944)
Sport and recreation	-	-	-	9 668 286	9 668 286
Public safety	-	-	-	337 561	337 561
Housing	-	-	-	958 109	958 109
Economic and environmental services	28 466 300	-	28 466 300	17 288 735	(11 177 565)
Road transport	28 466 300	-	28 466 300	17 288 735	(11 177 565)
Trading services	9 010 000	-	9 010 000	8 609 460	(400 540)
Electricity	9 010 000	-	9 010 000	7 651 351	(1 358 649)
Waste management	-	-	-	958 109	958 109
Total Capital Expenditure - Standard	37 556 300	3 000 000	40 556 300	36 988 718	(3 567 582)
CAPITAL EXPENDITURE (FUNDING SOURCES)					
National Government	37 456 300	-	37 456 300	29 317 616	(8 138 684)
Provincial Government	-	3 000 000	3 000 000	-	(3 000 000)
Transfers recognised - capital	37 456 300	3 000 000	40 456 300	29 317 616	(11 138 684)
Internally generated funds	100 000	-	100 000	7 671 102	7 571 102
Total Capital Funding	37 556 300	3 000 000	40 556 300	36 988 718	(3 567 582)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2018

CASH FLOWS

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	25 665 183	-	25 665 183	23 663 459	(2 001 724)
Service charges	98 156 311	-	98 156 311	77 525 332	(20 630 979)
Other revenue	12 809 717	-	12 809 717	32 969 082	20 159 364
Government - operating	63 703 120	-	63 703 120	70 104 908	6 401 788
Government - capital	37 456 000	-	37 456 000	29 317 616	(8 138 384)
Interest	5 766 150	-	5 766 150	1 686 081	(4 080 069)
Payments					
Suppliers and employees	(352 916 918)	-	(352 916 918)	(200 871 428)	152 045 489
Finance charges	(369 267)	-	(369 267)	(14 409 663)	(14 040 396)
Transfers and Grants	(363 772)	-	(363 772)	(70 355)	293 417
NET CASH FROM OPERATING ACTIVITIES	(110 093 475)	-	(110 093 475)	19 915 032	130 008 507
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	95 095	-	95 095	-	(95 095)
Decrease/(Increase) in non-current investment	-	-	-	-	-
Payments					
Capital assets	(37 556 300)	(3 000 000)	(40 556 300)	(35 087 691)	5 468 609
NET CASH USED IN INVESTING ACTIVITIES	(37 461 205)	(3 000 000)	(40 461 205)	(35 087 691)	5 373 514

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2018

CASH FLOWS

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase (decrease) in consumer deposits	-	-	-	34 310	34 310
Payments					
Repayment of borrowing	(369 267)	-	(369 267)	(1 244 529)	(875 262)
NET CASH FROM FINANCING ACTIVITIES	(369 267)	-	(369 267)	(1 210 218)	(840 951)
NET INCREASE/ (DECREASE) IN CASH HELD	(147 923 947)	(3 000 000)	(150 923 947)	(16 382 877)	134 541 069
Cash/cash equivalents at the year begin:	6 437 253		6 437 253	21 658 077	15 220 823
Cash/cash equivalents at the year end:	(141 486 693)	(3 000 000)	(144 486 693)	5 275 199	149 761 893