Ehlanzeni District Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Mayoral committee	
Executive Mayor	J Sidell
Speaker	RE Khumalo
Chief Whip	EIT Shabangu
Mayoral committee	MJ Mavuso
	MJ Mnisi
	NC Hlophe
	M Nkuna
	MC Masilela
	TR Manyisa
	MJ Morema
Councillors	GP Mkhombo
	ET Mkhabela
	M Chembeni-Sahi
	DL Masilela
	LC Shakwane
	TB Sibuyi
	G Mashile
	V Malatjie
	KC Chuene
	NC Khoza
	E Mashele
	M Mahlangu
	LP Mbambo
	ML Mkhabela
	NV Mathobela
	LE Khoza
	GN Mogiba
	HP Thovhakgale
	TE Masilela
	JH Ligthelm
	MS Phelephe
	LS Mhaule
	MC Shilakwane
	G Mathebula
	ET Mashile
	GP Raphiri
	ML Mnisi
	NP Thabane
	NM Nkosi
	BC Shongwe
	SL Mkhatshwa
	SD Mokone
	TM Mthombo
	LT Vuma
	PC Luphoko
	P Gubayi
	MV Hlophe
	AS Mthunywa

General Information

	JJ Khoza PP Mbowane MM Mlimi TM Charles LT Mlombo NL Lukhele JB Mashaba TG Mabuza PCW Minaar TMJ Grove-Morgan S Van Der Merwe GM Nkambule M Mbewe SP Mathonsi TS Khoza CS Nxumalo S Mashigo-Sekgobela
Grading of local authority	5
Municipal demarcation code	DC32
Accounting Officer	FS Siboza
Chief Financial Officer (Acting)	GN Dube
Registered office	8 Van Niekerk Street Mbombela Mpumalanga 1200
Postal address	P O Box 3333 Mbombela Mpumalanga 1200
Bankers	First National Bank Limited
Auditors	Auditor General South Africa
Attorneys	VF Mokoena Attorneys Singwane & Partners Attorneys Matsane Attorneys

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Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

The annual financial statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018.

FS Siboza
Accounting Officer

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	5	10,428,552	2,306,292
Investments	7	616,430	71,203,955
Receivables from exchange transactions	4	296,009	215,496
VAT receivable	6	3,593,335	3,079,297
Cash and cash equivalents	3	84,490,460	8,217,482
		99,424,786	**85,022,522**
Non-Current Assets			
Property, plant and equipment	8	209,877,673	214,517,161
Intangible assets	10	4,533,783	5,217,673
Investments	7	4,015,712	3,713,688
		218,427,168	**223,448,522**
Total Assets		**317,851,954**	**308,471,044**
Liabilities			
Current Liabilities			
Short term portion of long term liabilities	12	6,325,860	5,677,349
Payables from exchange transactions	9	26,365,979	29,302,979
Unspent conditional grants and receipts	13	-	183,428
Provisions	11	7,603,733	7,461,039
		40,295,572	**42,624,795**
Non-Current Liabilities			
Long term liabilities	12	130,355,083	136,681,298
Provisions	11	27,818,000	28,409,000
		158,173,083	**165,090,298**
Total Liabilities		**198,468,655**	**207,715,093**
Net Assets		**119,383,299**	**100,755,951**
Accumulated surplus		119,383,299	100,755,951

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Operational income	34	1,190,718	1,788,275
Rental of facilities and equipment	34	208,292	144,843
Interest received	32	9,288,323	8,443,966
Dividends received	34	132,959	122,873
Revenue from non-exchange transactions			
Government grants & subsidies	14	237,653,110	227,282,239
Total revenue		**248,473,402**	**237,782,196**
Expenditure			
Employee related cost	15	(117,307,971)	(106,741,216)
Remuneration of councillors	16	(15,543,876)	(14,314,040)
Audit fees	22	(2,400,114)	(2,576,292)
Depreciation and amortisation	17	(9,204,377)	(10,184,194)
Finance costs	18	(18,859,950)	(19,416,171)
Repairs and maintenance	19	(2,240,374)	(1,800,523)
Contracted services	20	(1,266,785)	(1,053,109)
Grants and subsidies	21	(23,535,781)	(23,930,281)
Operational expenses	23	(45,167,155)	(43,578,845)
Total expenditure		**(235,526,383)**	**(223,594,671)**
Operating surplus		**12,947,019**	**14,187,525**
Loss on disposal of assets		(9,906)	(108,558)
Gain on fair value adjustment		302,024	254,456
Actuarial gain		5,533,000	4,135,000
Surplus for the year		**18,772,137**	**18,468,423**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**82,194,238**	**82,194,238**
Changes in net assets		
Prior period adjustments	93,290	93,290
Net income (losses) recognised directly in net assets	93,290	93,290
Surplus for the year	18,468,423	18,468,423
Total recognised income and expenses for the year	18,561,713	18,561,713
Total changes	18,561,713	18,561,713
Balance at 01 July 2017	**100,755,950**	**100,755,950**
Changes in net assets		
Prior period adjustments	(144,788)	(144,788)
Net income (losses) recognised directly in net assets	(144,788)	(144,788)
Surplus for the year	18,772,137	18,772,137
Total recognised income and expenses for the year	18,627,349	18,627,349
Total changes	18,627,349	18,627,349
Balance at 30 June 2018	**119,383,299**	**119,383,299**

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
SARS		7,319,037	6,922,103
Grants		237,892,000	227,952,338
Interest received		9,876,644	7,794,624
Dividends received		132,959	122,873
Other receipts		3,255,243	10,996,248
		258,475,883	253,788,186
Payments			
Employee costs		(136,759,922)	(115,587,312)
Suppliers		(84,151,358)	(80,199,491)
Finance costs		(15,688,946)	(16,364,174)
Other payments		(8,158,034)	(18,224,305)
		(244,758,260)	(230,375,282)
Net cash flows from operating activities	24	**13,717,623**	**23,412,904**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,035,550)	(4,024,935)
Proceeds from sale of property, plant and equipment		150,223	1,999
Purchase of intangible assets	10	(469,139)	(4,211,903)
Movement in investments		70,587,525	(70,000,000)
Net cash flows from investing activities		**68,233,059**	**(78,234,839)**
Cash flows from financing activities			
Repayment of long-term liabilities		(5,677,704)	(5,092,429)
Net cash flows from financing activities		**(5,677,704)**	**(5,092,429)**
Net increase/(decrease) in cash and cash equivalents		**76,272,978**	**(59,914,364)**
Cash and cash equivalents at the beginning of the year		8,217,482	68,131,846
Cash and cash equivalents at the end of the year	3	**84,490,460**	**8,217,482**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Operational income	855,000	(55,000)	**800,000**	1,190,718	**390,718**	Note 39.1
Rental of facilities and equipment	340,000	(160,000)	**180,000**	208,292	**28,292**	
Interest received	8,500,000	-	**8,500,000**	9,288,323	**788,323**	Note 39.2
Dividends received	140,000	-	**140,000**	132,959	**(7,041)**	
Total revenue from exchange transactions	**9,835,000**	**(215,000)**	**9,620,000**	**10,820,292**	**1,200,292**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	239,529,000	(1,637,000)	**237,892,000**	237,653,110	**(238,890)**	
Total revenue	**249,364,000**	**(1,852,000)**	**247,512,000**	**248,473,402**	**961,402**	
Expenditure						
Employee related cost	(116,463,247)	(9,447,124)	**(125,910,371)**	(117,307,971)	**8,602,400**	Note 39.3
Remuneration of councillors	(15,250,155)	(567,460)	**(15,817,615)**	(15,543,876)	**273,739**	
Audit fees	(2,900,000)	(220,000)	**(3,120,000)**	(2,400,114)	**719,886**	
Depreciation and amortisation	(10,595,487)	(1,404,513)	**(12,000,000)**	(9,204,377)	**2,795,623**	Note 39.4
Finance costs	(16,403,905)	1,264,742	**(15,139,163)**	(18,859,950)	**(3,720,787)**	Note 39.5
Repairs and maintenance	(1,993,815)	(460,000)	**(2,453,815)**	(2,240,374)	**213,441**	
Contracted services	(1,500,000)	146,515	**(1,353,485)**	(1,266,785)	**86,700**	
Grants and subsidies	(44,547,000)	5,280,000	**(39,267,000)**	(23,535,781)	**15,731,219**	Note 39.6
Operational expenses	(63,362,717)	5,855,327	**(57,507,390)**	(45,167,155)	**12,340,235**	Note 39.7
Total expenditure	**(273,016,326)**	**447,487**	**(272,568,839)**	**(235,526,383)**	**37,042,456**	
Operating surplus	**(23,652,326)**	**(1,404,513)**	**(25,056,839)**	**12,947,019**	**38,003,858**	
Loss on disposal of assets	-	-	**-**	(9,906)	**(9,906)**	Note 39.5
Gain on fair value adjustment	-	-	**-**	302,024	**302,024**	Note 39.5
Actuarial gain	-	-	**-**	5,533,000	**5,533,000**	Note 39.5
	-	**-**	**-**	**5,825,118**	**5,825,118**	
Surplus/(deficit) for the year	**(23,652,326)**	**(1,404,513)**	**(25,056,839)**	**18,772,137**	**43,828,976**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	325,000	-	**325,000**	10,428,552	**10,103,552**	Note 39.6
Investments	40,523,000	-	**40,523,000**	616,430	**(39,906,570)**	Note 39.8
Receivables from exchange transactions	300,000	-	**300,000**	296,009	**(3,991)**	
VAT receivable	1,815,000	-	**1,815,000**	3,593,335	**1,778,335**	Note 39.9
Cash and cash equivalents	24,359,000	-	**24,359,000**	84,490,460	**60,131,460**	Note 39.8
	67,322,000	**-**	**67,322,000**	**99,424,786**	**32,102,786**	
Non-Current Assets						
Property, plant and equipment	204,870,000	-	**204,870,000**	209,877,673	**5,007,673**	Note 39.4
Intangible assets	836,000	-	**836,000**	4,533,783	**3,697,783**	Note 39.4
Investments	3,657,000	-	**3,657,000**	4,015,712	**358,712**	Note 39.8
	209,363,000	**-**	**209,363,000**	**218,427,168**	**9,064,168**	
Total Assets	**276,685,000**	**-**	**276,685,000**	**317,851,954**	**41,166,954**	
Liabilities						
Current Liabilities						
Long term liabilities	4,992,000	-	**4,992,000**	6,325,860	**1,333,860**	Note 39.12
Payables from exchange transactions	35,150,000	-	**35,150,000**	26,365,979	**(8,784,021)**	Note 39.13
Provisions	-	30,495,000	**30,495,000**	7,603,733	**(22,891,267)**	Note 39.5
	40,142,000	**30,495,000**	**70,637,000**	**40,295,572**	**(30,341,428)**	
Non-Current Liabilities						
Long term liabilities	134,483,000	-	**134,483,000**	130,355,083	**(4,127,917)**	Note 39.12
Provisions	30,495,000	(30,495,000)	**-**	27,818,000	**27,818,000**	Note 39.5
	164,978,000	**(30,495,000)**	**134,483,000**	**158,173,083**	**23,690,083**	
Total Liabilities	**205,120,000**	**-**	**205,120,000**	**198,468,655**	**(6,651,345)**	
Net Assets	**71,565,000**	**-**	**71,565,000**	**119,383,299**	**47,818,299**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	71,565,000	-	**71,565,000**	119,383,299	**47,818,299**	Note 39.10

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	239,529,000	(1,637,000)	**237,892,000**	237,892,000	-	
Interest income	8,500,000	-	**8,500,000**	9,876,644	**1,376,644**	Note 39.2
Dividends received	140,000	-	**140,000**	132,959	**(7,041)**	
Other receipts	1,195,000	(215,000)	**980,000**	10,574,280	**9,594,280**	Note 39.11
	249,364,000	**(1,852,000)**	**247,512,000**	**258,475,883**	**10,963,883**	
Payments						
Supplier and employee costs	(211,320,000)	(5,578,000)	**(216,898,000)**	(205,533,533)	**11,364,467**	Note 39.3 & 39.7
Finance costs	(16,404,000)	-	**(16,404,000)**	(15,688,946)	**715,054**	
	(227,724,000)	**(5,578,000)**	**(233,302,000)**	**(221,222,479)**	**12,079,521**	
Net cash flows from operating activities	**21,640,000**	**(7,430,000)**	**14,210,000**	**37,253,404**	**23,043,404**	
Cash flows from investing activities						
Purchase of intangible assets	-	-	-	(469,139)	**(469,139)**	Note 39.14
Proceeds from sale of assets	-	-	-	150,223	**150,223**	
Movement in investments	-	-	-	70,587,525	**70,587,525**	Note 39.8
Purchase of property, plant and equipment	-	-	-	(2,035,550)	**(2,035,550)**	Note 39.14
Decrease/(Increase) other non-current assets	(44,547,000)	5,280,000	**(39,267,000)**	(23,535,781)	**15,731,219**	Note 39.6
Net cash flows from investing activities	**(44,547,000)**	**5,280,000**	**(39,267,000)**	**44,697,278**	**83,964,278**	
Cash flows from financing activities						
Repayment of long term liabilities	(4,992,000)	-	**(4,992,000)**	(5,677,704)	**(685,704)**	Note 39.12
Net increase/(decrease) in cash and cash equivalents	(27,899,000)	(2,150,000)	**(30,049,000)**	76,272,978	**106,321,978**	
Cash and cash equivalents at the beginning of the year	42,408,000	52,523,000	**94,931,000**	8,217,482	**(86,713,518)**	
Cash and cash equivalents at the end of the year	**14,509,000**	**50,373,000**	**64,882,000**	**84,490,460**	**19,608,460**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements meets the requirements of the Municipal Regulations on a Standard Chart of Accounts (mSCOA).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables /Investments and/or other financial assets

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges. This estimate is based on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

Effective interest rate

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

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

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

Initial recognition

Property, plant and equipment is initially measured at cost.

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

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and 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.

1.2 Property, plant and equipment (continued)

Depreciation and impairment

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

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

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

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

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

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

The municipality tests property, plant and equipment with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite
Buildings	50 years
Plant and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 - 20 years
Office equipment	3 - 10 years
Air conditioners	15 - 30 years

1.3 Intangible assets

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

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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

1.3 Intangible assets (continued)

Initial recognition

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
• it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. 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 subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

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

Item	Useful life
Computer software, other	3 - 10 years

1.4 Financial instruments

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

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

1.4 Financial instruments (continued)

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

1.4 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.5 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Accounting Policies

1.5 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

1.6 Inventories

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

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

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

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

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

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

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

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

1.6 Inventories (continued)

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

Work in progress is recognised at cost and not depreciated. It includes all costs incurred in bringing the ultimate assets to their condition and location as intended by management.

Work in progress will be transferred to property, plant and equipment when the assets are available for use.

Work in progress relating to projects on behalf of other entities will be transferred to the specific entity when the assets are available for use.

1.7 Non-current assets held for sale and disposal groups

Initial recognition

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

Subsequent measurement

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

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

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

1.9 Employee benefits

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

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

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

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

1.9 Employee benefits (continued)

Other post retirement obligations

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

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

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

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

1.10 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.10 Provisions and contingencies (continued)

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

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

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

Contingencies are disclosed in note 27.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

1.11 Revenue from exchange transactions (continued)

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.12 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

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

Measurement

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

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

1.12 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and 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.

Services in-kind

Services in-kind are not recognised.

1.13 Investment income

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

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

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

1.16 Unauthorised expenditure

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

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Presentation of currency

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

1.20 Value Added Tax

The municipality accounts for VAT on the payment basis.

1.21 Budget information

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

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

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the Statement of Financial Performance and the budget for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

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

Accounting Policies

1.23 Going concern assumption

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

1.24 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

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

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

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

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

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

arrangements that are controlled jointly (i.e. joint arrangements).

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

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

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

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

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

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

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

The impact of this standard is currently being assessed.

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

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

The most significant changes to the Standard are:

2. New standards and interpretations (continued)

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

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

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

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

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

GRAP 18 (as amended 2016): Segment Reporting

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

The most significant changes to the Standard are:

General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

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

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

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

GRAP 20: Related parties

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

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

identifying related party relationships and transactions;

identifying outstanding balances, including commitments, between an entity and its related parties;

identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

determining the disclosures to be made about those items.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

A person or a close member of that person's family is related to the reporting entity if that person:

has control or joint control over the reporting entity;

has significant influence over the reporting entity;

is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);

one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);

both entities are joint ventures of the same third party;

one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

the entity is controlled or jointly controlled by a person identified in (a); and

a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:

Close member of the family of a person;

Management;

Related parties;

Remuneration; and

Significant influence

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

Control;

Related party transactions; and

Remuneration of management

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

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

2. New standards and interpretations (continued)

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

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

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

What is the obligating event that gives rise to the recognition of a liability to pay a levy?

Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?

2. New standards and interpretations (continued)

Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?

Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?

What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;

An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;

The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;

If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and

An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

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

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

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)

IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology

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

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

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

GRAP 16 (as amended 2016): Investment Property

2. New standards and interpretations (continued)

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

The most significant changes to the Standard are:

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

IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

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

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

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

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

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

The most significant changes to the Standard are:

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

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

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

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

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

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

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

The most significant changes to the Standard are:

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 27 (as amended 2016): Agriculture

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

The most significant changes to the Standard are:

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

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

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

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

GRAP 31 (as amended 2016): Intangible Assets

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

The most significant changes to the Standard are:

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

IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 103 (as amended 2016): Heritage Assets

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

The most significant changes to the Standard are:

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	4,000	4,000
Bank balances	84,486,460	8,213,482
	84,490,460	**8,217,482**

The municipality had the following bank accounts

Account number / description	**Cash Book and Bank Statement balances**		
	30 June 2018	**30 June 2017**	**30 June 2016**
FNB Nelspruit Cheque account - 62 113 491 419 (Primary bank account)	72,933,909	4,025,407	47,879,505
Standard Bank Nelspruit Cheque account - 63395622	11,549,284	4,184,808	20,245,074
Standard Bank Nelspruit Cheque account - 273226703	3,267	3,267	3,267
Total	**84,486,460**	**8,213,482**	**68,127,846**

4. Receivables from exchange transactions

	2018	2017
Trade and other receivables	296,009	215,496

Trade and other receivables

2018	**Gross balance**	**Allowance for debt impairment**	**Total**
Other receivables	595,933	(299,924)	296,009

2017	**Gross balance**	**Allowance for debt impairment**	**Total**
Other receivables	633,703	(418,207)	215,496

Trade and other receivables: Ageing

	2018	2017
Current	235,540	155,066
30+ days	3,714	5,028
60+ days	3,714	5,028
90+ days	3,714	5,028
120+ days	3,714	13,485
365+ days	45,613	31,861

Trade and other receivables impaired

	2018	2017
365+ days	(299,924)	(418,207)

Reconciliation of provision for impairment of trade and other receivables

	2018	2017
Opening balance	(418,207)	(418,207)
Amounts written off as uncollectible	118,283	-
	(299,924)	**(418,207)**

Figures in Rand	2018	2017

5. Inventories

Work in progress	10,256,447	1,978,953
Consumable stores	172,105	327,339
	10,428,552	**2,306,292**

Opening balance	327,339	313,363
Additions	1,297,043	875,254
Issued	(1,351,237)	(865,813)
Inventory adjustment	(101,040)	4,535
Closing balance	**172,105**	**327,339**

Inventories comprise of office stationery.

Reconciliation of work in progress 2018

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	1,978,953	21,163,173	(12,885,679)	10,256,447

Reconciliation of work in progress 2017

	Opening balance	Additions	Transfers	Closing balance
Work in progress - projects for local municipalities	4,689,773	14,879,873	(17,590,693)	1,978,953

Appointment of contractors in the last quarter of the financial year resulted in some projects not being completed by year end.Once the projects are completed it will be transferred to respective local municipalities.

6. VAT receivable

VAT refundable	3,593,335	3,079,297

7. Investments

Fixed deposits	616,430	71,203,955
Listed investments	4,015,712	3,713,688
	4,632,142	**74,917,643**

Reconciliation of Sanlam Shares

Opening balance	3,713,688	3,459,232
Fair value adjustment	302,024	254,456
Closing balance	**4,015,712**	**3,713,688**

Sanlam listed investments are disclosed at current market value of shares at reporting date. The municipality's risk is that the share price of listed investments might devalue significantly during the period under review and result in a substantial loss of the investment. The share price risk is managed by only investing in reputable listed entities with a good track record.

There is a limited general session on the ABSA fixed deposit account for R120,000.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8,103,054	-	8,103,054	8,103,054	-	8,103,054
Buildings	234,900,729	(44,305,689)	190,595,040	233,895,070	(38,742,291)	195,152,779
Furniture and fixtures	9,631,261	(7,131,794)	2,499,467	9,578,402	(6,639,176)	2,939,226
Motor vehicles	6,799,183	(3,784,367)	3,014,816	5,321,938	(3,238,253)	2,083,685
Office equipment	26,648,469	(21,704,130)	4,944,339	26,264,740	(20,895,749)	5,368,991
Plant and equipment	2,733,714	(2,012,757)	720,957	2,748,953	(1,879,527)	869,426
Total	**288,816,410**	**(78,938,737)**	**209,877,673**	**285,912,157**	**(71,394,996)**	**214,517,161**

Reconciliation of property, plant and equipment - 2018

	Opening balance	**Additions**	**Disposals**	**Prior period adjustments**	**Depreciation**	**Total**
Land	8,103,054	-	-	-	-	8,103,054
Buildings	195,152,779	1,005,659	-	-	(5,563,398)	190,595,040
Furniture and fixtures	2,939,226	63,161	(1,980)	-	(500,940)	2,499,467
Motor vehicles	2,083,685	1,624,528	(115,372)	-	(578,025)	3,014,816
Office equipment	5,368,991	874,230	(30,571)	-	(1,268,311)	4,944,339
Plant and equipment	869,426	2,631	(3,635)	11,780	(159,245)	720,957
	214,517,161	**3,570,209**	**(151,558)**	**11,780**	**(8,069,919)**	**209,877,673**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	8,103,054	-	-	-	8,103,054
Buildings	200,761,000	37,000	(6,793)	(5,638,428)	195,152,779
Furniture and fixtures	3,765,330	118,823	(1,284)	(943,643)	2,939,226
Motor vehicles	1,428,739	1,182,783	-	(527,837)	2,083,685
Office equipment	4,348,086	2,558,339	(57,640)	(1,479,794)	5,368,991
Plant and equipment	1,007,113	127,990	(1,213)	(264,464)	869,426
	219,413,322	**4,024,935**	**(66,930)**	**(8,854,166)**	**214,517,161**

Pledged as security

Carrying value of assets pledged as security:

	2018	2017
Land and buildings	198,698,094	203,255,833

Refer to Appendix B for more detail on property, plant and equipment.

9. Payables from exchange transactions

	2018	2017
Trade payables	20,912,923	24,651,228
Retentions	5,453,056	4,651,751
	26,365,979	**29,302,979**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Intangible assets

	2018			2017		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	14,659,732	(10,125,949)	4,533,783	14,190,593	(8,972,920)	5,217,673

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Disposals**	**Prior period adjustments**	**Amortisation**	**Total**
Computer software	5,217,673	469,139	(8,572)	(9,999)	(1,134,458)	4,533,783

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software	1,788,562	4,800,763	(41,625)	(1,330,027)	5,217,673

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

11. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	8,190,000	905,000	(528,000)	8,567,000
Leave provision	4,581,674	1,155,189	(568,370)	5,168,493
Post retirement benefits	20,791,000	-	(761,000)	20,030,000
Provision for performance bonuses	2,307,365	1,000,000	(1,651,125)	1,656,240
	35,870,039	**3,060,189**	**(3,508,495)**	**35,421,733**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Provision for long service awards	8,438,000	724,000	(972,000)	8,190,000
Leave provision	4,295,799	773,413	(487,538)	4,581,674
Post retirement benefits	20,013,000	976,000	(198,000)	20,791,000
Provision for performance bonuses	2,000,000	2,000,000	(1,692,635)	2,307,365
	34,746,799	**4,473,413**	**(3,350,173)**	**35,870,039**

	2018	2017
Non-current liabilities	27,818,000	28,409,000
Current liabilities	7,603,733	7,461,039
	35,421,733	**35,870,039**

Leave provision

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.

Provision for performance bonuses

Performance bonuses are being paid to Municipal Manager, managers and municipal staff after an evaluation of performance by the council.

Post retirement benefits

	2018	2017
Opening balance	20,791,000	20,013,000
Interest cost	2,357,000	2,251,000
Current service cost	1,800,000	1,828,000
Expected employer benefit payments	(223,000)	(198,000)
Actuarial (gain)	(4,695,000)	(3,103,000)
	20,030,000	**20,791,000**

Net expense recognised in Statement of Financial Performance

	2018	2017
Interest cost	2,357,000	2,251,000
Current service cost	1,800,000	1,828,000
Actuarial (gain)	(4,695,000)	(3,103,000)
	(538,000)	**976,000**

Figures in Rand	2018	2017

11. Provisions (continued)

Long service awards

Opening balance	8,190,000	8,438,000
Interest cost	815,000	801,000
Current service cost	928,000	951,000
Benefits paid	(528,000)	(968,000)
Actuarial (gain)	(838,000)	(1,032,000)
	8,567,000	**8,190,000**

Net expense recognised in Statement of Financial Performance

Interest cost	815,000	801,000
Current service cost	928,000	951,000
Actuarial (gain)	(838,000)	(1,032,000)
	905,000	**720,000**

Post retirement benefit

The municipality operates an accredited medical aid scheme. Employees who are not on a fixed contract participate in the post retirement medical assistance plan.

The post retirement assistance plan consisting of KeyHealth Medical Scheme (Keyhealth), LA Health Medical Scheme (LA Health) , Bonitas Medical Aid Fund (Bonitas), Hosmed Medical Scheme (Hosmed) and SAMWU National Medical Scheme (SAMWUMED). The members are entitled to a 60% retirement subsidy of the total contribution subject to a maximum of R 4,218 per month as from 1 July 2018.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, Alexander Forbes, on 30 June 2018.

Long service awards

The municipality rewards it's employees who are in service for an unbroken period of 5 years and longer. Employees are entitled/awarded leave days equivalent to number of years served eg. 10 years of service, one gets 10 days of leave, which can either be taken as leave or to be paid out in cash.

The awards were subjected to actuarial valuation by an independent actuarial firm, Alexander Forbes, on 30 June 2018.

Provision for performance bonuses

Performance bonuses are awarded to permanent employees and fixed term contract employees subject to certain conditions being met.

Figures in Rand	2018	2017

11. Provisions (continued)

Calculation of actuarial gains & losses

The following key assumptions were used at reporting date:

Post retirement benefits		
Discount rate	10.60%	11.40%
CPI Inflation	7.00%	8.50%
Rand Cap Inflation	8.00%	9.50%
Health Care Cost Inflation	9.00%	10.50%
Salary Inflation	8.00%	9.50%
Expected retirement age	65 years	65 years
Continuation members	7	5
In-service members	145	133
Long service awards		
Discount rate	9.20%	9.20%
Inflation rate	5.90%	6.20%
Salary Inflation	6.90%	7.20%
Members	163	145

12. Long term liabilities

At amortised cost		
DBSA loan	136,680,943	142,358,647

The municipality had one loan at DBSA during the period. Details of the loan are as follows:

DBSA - 61000886
Maturity date: 31/12/2029
Interest calculated at
11.12%

Non-current liabilities		
At amortised cost	130,355,083	136,681,298
Current liabilities		
At amortised cost	6,325,860	5,677,349

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Department Roads & Transport	-	36,053
Barberton Mines (Pty) Ltd	-	147,375
	-	**183,428**

See note 14 for reconciliation of grants and subsidies.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Government grants and subsidies

Government grant - Equitable Share	229,690,000	221,660,000
Government grant - Finance Management Grant	1,500,000	1,500,000
Government grant - Barberton Mines (Pty) Ltd	147,375	252,625
Government grant - Department Roads & Transport	1,960,735	1,595,614
Government grant - Expanded Public Works Program Incentive	4,355,000	2,274,000
	237,653,110	**227,282,239**

National Treasury Finance Management Grant

Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,500,000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

National Department of Roads & Transport

Balance unspent at beginning of year	36,053	-
Current-year receipts	2,347,000	1,958,000
Conditions met - transferred to revenue	(1,960,735)	(1,595,614)
Conditions met - transferred to operational income	(386,265)	(326,333)
Paid back to National Treasury	(36,053)	-
	-	**36,053**

Conditions still to be met - remain liabilities (see note 13).

The purpose of this grant is to assist rural district municipalities to set up rural RAMS, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Sector Education and Training Authority

Current-year receipts	184,321	160,338
Conditions met - transferred to operational income	(184,321)	(160,338)
	-	-

The purpose of the funds is for skills and capacity building within the municipality.

Expanded Public Works Program Incentive

Balance unspent at beginning of year	-	-
Current-year receipts	4,355,000	2,274,000
Conditions met - transferred to revenue	(4,355,000)	(2,274,000)
	-	-

14. Government grants and subsidies (continued)

The purpose of this grant is to incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:

- road maintenance and maintenance of buildings
- low traffic volume roads and rural roads
- other economic and social infrastructure
- tourism and cultural industries
- sustainable land based livelihoods
- waste management
- parks and beautification
- social services programs
- health services programs -

community safety programs -
basic services infrastructure

Barberton Mines (Pty) Ltd

	2018	2017
Balance unspent at beginning of year	147,375	-
Current-year receipts	-	400,000
Conditions met - transferred to revenue	(147,375)	(252,625)
	-	**147,375**

Conditions still to be met - remain liabilities (see note 13).

The purpose of the fund is to assist Small, Medium and Macro Enterprise development.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

15. Employee related costs

Basic	74,448,746	66,958,827
Annual bonus	5,658,940	6,004,698
Medical aid - company contributions	5,399,329	4,940,619
UIF	364,917	335,672
SDL	960,888	767,290
Leave pay provision contribution	1,130,555	773,413
Post-employment benefits - pension - defined contribution plan	13,007,252	11,679,820
Travel allowances	14,109,310	13,535,120
Overtime payments	301,347	225,067
Acting allowances	1,326,771	946,005
Housing benefits and allowances	583,015	560,116
Bargaining council	16,901	14,569
	117,307,971	**106,741,216**

Remuneration of Municipal Manager - FS Siboza (Appointed 1/2/2017)

Annual Remuneration	1,083,943	418,039
Car Allowance	336,000	140,000
Contributions to UIF, Medical and Pension Funds	191,507	75,990
		-
	1,611,450	**634,029**

Remuneration of Chief Financial Officer - W Khumalo (Seconded to City of Mbombela Local Municipality)

Annual Remuneration	1,219,607	1,093,696
Car Allowance	336,000	355,761
Contributions to UIF, Medical and Pension Funds	298,257	268,051
Acting Allowance	226,188	-
	2,080,052	**1,717,508**

Remuneration of Acting Chief Financial Officer - GN Dube (Started 1/7/2017)

Annual Remuneration	661,762	-
Car Allowance	154,800	-
Contributions to UIF, Medical and Pension Funds	140,241	-
Acting Allowance	442,695	-
	1,399,498	**-**

Acting General Manager: Corporate Services - GN Zulu (Acting from 01/04/2016 to 31/12/2016)

Annual Remuneration	-	251,623
Car Allowance	-	71,400
Contributions to UIF, Medical and Pension Funds	-	54,018
Acting Allowance	-	74,062
	-	**451,103**

General Manager: Corporate services - MH Shabangu (Resigned 3 November 2017)

Annual Remuneration	389,638	611,410
Car Allowance	108,000	337,027
Contributions to UIF, Medical and Pension Funds	65,461	182,746
Acting Allowance	8,800	350,372

Figures in Rand	2018	2017

15. Employee related costs (continued)

	571,899	**1,481,555**

General Manager: Corporate services - RS Makwakwa (Acting from 4 November 2017 to 30 April 2018. Appointed 1 May 2018)

Annual Remuneration	571,259	-
Car Allowance	117,400	-
Contributions to UIF, Medical and Pension Funds	156,938	-
Acting Allowance	117,532	-
	963,129	**-**

General Manager: LED & Tourism - NP Mahlalela (1 October 2017 to 30 June 2018)

Annual Remuneration	580,100	886,553
Car Allowance	252,000	352,851
Performance Bonuses	84,260	-
Contributions to UIF, Medical and Pension Funds	152,911	222,480
	1,069,271	**1,461,884**

General Manager: LED & Tourism - ML Nkosi (1 July 2017 to 30 September 2017)

Annual Remuneration	152,545	-
Car Allowance	38,700	-
Contributions to UIF, Medical and Pension Funds	45,501	-
Acting Allowance	71,493	-
	308,239	**-**

General Manager: Technical services - TD Gogwane (Contract expired 31 May 2018)

Annual Remuneration	624,001	594,593
Car Allowance	187,000	216,580
Contributions to UIF, Medical and Pension Funds	149,665	155,263
Scarce Skill Allowance	117,153	127,803
Acting Allowance	7,455	-
	1,085,274	**1,094,239**

General Manager: Technical services - PG Du Toit (1 June 2018 to 30 June 2018)

Annual Remuneration	51,395	-
Car Allowance	12,900	-
Contributions to UIF, Medical and Pension Funds	15,223	-
Acting Allowance	6,735	-
	86,253	**-**

General Manager: Municipal Health & Environment- ST Shabangu (1 February 2018 to 30 June 2018)

Annual Remuneration	248,966	709,687
Car Allowance	100,000	343,918
Performance Bonuses	81,192	-
Contributions to UIF, Medical and Pension Funds	56,725	158,040

Figures in Rand	2018	2017

15. Employee related costs (continued)

Other	12,756	12,351
	499,639	**1,223,996**

General Manager: Municipal Health & Environment- EMM Mahlalela (1 July 2017 to 31 January 2018)

Annual Remuneration	410,363	-
Car Allowance	90,300	-
Contributions to UIF, Medical and Pension Funds	85,236	-
Acting Allowance	76,735	-
	662,634	**-**

General Manager: Public Safety & Disaster Management - SR Mhlongo (Acting Municipal Manager 1/1/2017 to 31/1/2017)

Annual Remuneration	-	667,427
Car Allowance	-	343,918
Contributions to UIF, Medical and Pension Funds	-	195,070
Acting Allowance	-	30,829
	-	**1,237,244**

General Manager: Public Safety & Disaster Management - HTM Nkosi (Acting from 1 July 2017 to 30 September 2017. Appointed 1 October 2017)

Annual Remuneration	631,896	667,427
Car Allowance	218,700	343,918
Contributions to UIF, Medical and Pension Funds	165,184	195,070
Acting Allowance	50,484	30,829
	1,066,264	**1,237,244**

Salaries, allowances and benefits of Councillors as disclosed in note 16 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance and Traditional Affairs determination in accordance with this Act.

Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

16. Remuneration of councillors

Executive Mayor	970,600	920,581
Speaker	776,480	739,447
Councillors	7,741,130	7,343,487
Councillors' pension contribution	833,712	736,991
Chief Whip	726,005	692,354
Councillors other allowances	4,495,949	3,881,180
	15,543,876	**14,314,040**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Mayor and Speaker have the use of a council owned vehicles for official duties.

The Executive Mayor has a full-time bodyguard, a full-time driver and a full-time security guard at her residence, at the cost of the council. The Speaker has a full-time driver at the cost of the council.

Executive Mayor - Cllr LN Shongwe (1 July 2016 to 9 August 2016)

	2018	2017
Annual Remuneration	-	68,718
Car Allowance	-	25,051
Contributions to UIF, Medical and Pension Funds	-	6,437
	-	**100,206**

Executive Mayor - Cllr J Sidell

	2018	2017
Annual Remuneration	593,696	503,764
Car Allowance	242,002	205,426
Contributions to UIF, Medical and Pension Funds	134,902	111,185
	970,600	**820,375**

Speaker - Cllr RE Khumalo

	2018	2017
Annual Remuneration	466,458	398,049
Car Allowance	193,601	164,340
Contributions to UIF, Medical and Pension Funds	116,421	96,893
	776,480	**659,282**

Speaker - Cllr MJ Mavuso (1 July 2016 to 10 August 2016)

	2018	2017
Annual Remuneration	-	58,124
Car Allowance	-	20,041
Contributions to UIF, Medical and Pension Funds	-	2,000
	-	**80,165**

Chief Whip - Cllr ET Shabangu

	2018	2017
Annual Remuneration	489,088	468,292
Car Allowance	181,501	172,858
Contributions to UIF, Medical and Pension Funds	55,416	51,204
	726,005	**692,354**

Figures in Rand	2018	2017

16. Remuneration of councillors (continued)

MMC Environmental Health - Cllr TB Mdhluli (1 July 2016 to 10 August 2016)

Annual Remuneration	-	52,777
Car Allowance	-	18,788
Contributions to UIF, Medical and Pension Funds	-	3,589
	-	**75,154**

MMC Environmental Health - Cllr NC Hlophe (Resigned 31 March 2018)

Annual Remuneration	369,096	468,895
Car Allowance	136,126	172,857
Contributions to UIF, Medical and Pension Funds	39,281	50,600
	544,503	**692,352**

MMC Environmental Health - Cllr MR Shongwe (Appointed 1 April 2018)

Annual Remuneration	115,340	-
Car Allowance	45,375	-
Contributions to UIF, Medical and Pension Funds	20,786	-
	181,501	**-**

MMC LED & Tourism - Cllr BK Mokoena (Resigned 30 April 2017)

Annual Remuneration	-	379,187
Car Allowance	-	144,048
Contributions to UIF, Medical and Pension Funds	-	53,880
	-	**577,115**

MMC LED & Tourism - Cllr MJ Morema (From 1 May 2017)

Annual Remuneration	469,866	75,155
Car Allowance	181,501	28,809
Contributions to UIF, Medical and Pension Funds	76,583	11,273
	727,950	**115,237**

MMC Technical - Cllr M Nkuna

Annual Remuneration	472,810	374,652
Car Allowance	181,501	154,069
Contributions to UIF, Medical and Pension Funds	74,539	88,477
	728,850	**617,198**

Figures in Rand	2018	2017

16. Remuneration of councillors (continued)

MMC Rural Development - Cllr SP Monareng (1 July 2016 to 10 August 2016)

Annual Remuneration	-	54,366
Car Allowance	-	18,788
Contributions to UIF, Medical and Pension Funds	-	2,000
	-	**75,154**

MMC Social Services - Cllr MC Masilela

Annual Remuneration	589,922	463,841
Car Allowance	40,322	74,235
Contributions to UIF, Medical and Pension Funds	97,706	79,122
	727,950	**617,198**

MMC Corporate Services - Cllr BN Mdakane (1 July 2016 to 10 August 2016)

Annual Remuneration	-	49,148
Car Allowance	-	18,788
Contributions to UIF, Medical and Pension Funds	-	7,218
	-	**75,154**

MMC Corporate Services - Cllr MJ Mavuso

Annual Remuneration	520,504	499,253
Car Allowance	181,501	174,110
Contributions to UIF, Medical and Pension Funds	24,000	24,000
	726,005	**697,363**

MMC Finance - Cllr BM Ncongwane (1 July 2016 to 10 August 2016)

Annual Remuneration	-	49,014
Car Allowance	-	18,788
Contributions to UIF, Medical and Pension Funds	-	7,352
	-	**75,154**

MMC Finance - Cllr MJ Mnisi

Annual Remuneration	474,097	452,783
Car Allowance	181,501	172,857
Contributions to UIF, Medical and Pension Funds	70,407	66,712
	726,005	**692,352**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Remuneration of councillors (continued)

MMC Disaster Management - Cllr TR Manyisa

Annual Remuneration	441,790	377,214
Car Allowance	181,501	154,069
Contributions to UIF, Medical and Pension Funds	104,659	85,915
	727,950	**617,198**

17. Depreciation and amortisation

Property, plant and equipment	8,069,919	8,856,343
Intangible assets	1,134,458	1,327,851
	9,204,377	**10,184,194**

18. Finance costs

Interest - other	3,172,185	3,143,128
Interest - Development Bank of Southern Africa	15,687,765	16,273,043
	18,859,950	**19,416,171**

19. Repairs and maintenance

Buildings	1,872,452	1,684,842
Vehicles	324,023	88,708
Furniture and fittings	34,311	18,121
Plant and equipment	9,588	2,072
Fire brigade wagonets	-	6,780
	2,240,374	**1,800,523**

20. Contracted services

Security services	1,266,785	1,053,109

21. Grants and subsidies

Nkomazi Local Municipality	5,622,742	3,432,252
Barberton Mines (Pty) Ltd	147,375	252,625
Department of Roads & Transport	1,960,735	1,595,614
EDM Own Funding	2,666,421	909,660
Mbombela Local Municipality	2,816,695	4,518,356
Thaba Chweu Local Municipality	5,462,824	6,258,114
Umjindi Local Municipality	-	297,830
Bushbuckridge Local Municipality	4,858,989	6,665,830
	23,535,781	**23,930,281**

22. Auditors' remuneration

Audit fees	2,400,114	2,576,292

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Operational expenses

AIDS council	95,690	131,658
Audit Committee	385,494	463,916
Bank charges	77,024	58,410
Bursaries	598,187	712,859
Clean up campaigns	622,422	246,097
Community outreach	3,414,487	2,370,850
Conferences and seminars	169,671	1,164,205
Consulting and professional fees	2,790,499	4,098,346
Disaster management cost - centre	879,845	1,432,815
Disaster management operational cost	1,739,220	1,792,810
Electricity, water and rates	5,755,225	5,767,143
Entertainment	763,358	852,745
Fuel and oil	747,926	1,031,137
GIS operational costs	224,764	79,529
IDP review	447,848	263,804
IT expenses	4,408,198	3,137,503
Insurance	477,362	567,251
Lease rentals	330,480	335,010
Legal fees	851,208	592,846
Marketing	1,221,482	1,491,637
Municipal health operational cost	680,231	393,055
Other expenses	1,469,610	1,326,111
Other programs and campaigns	2,658,740	2,453,235
Postage and courier	7,609	6,017
Printing and stationery	2,224,413	1,335,192
Project maintenance costs	172,047	454,916
Protective clothing	75,700	45,334
Interface programme	243,544	288,750
Telephone and fax	1,384,090	1,131,966
Tourism development	468,729	1,499,010
Training	1,071,450	1,011,650
Travelling and subsistance	8,710,602	7,043,038
	45,167,155	**43,578,845**

24. Cash generated from operations

Surplus	18,772,137	18,468,423
Adjustments for:		
Depreciation and amortisation	9,204,377	10,184,194
Actuarial (gain)	(5,533,000)	(4,135,000)
(Gain) on fair value adjustments	(302,024)	(254,456)
Loss on disposal of assets	9,906	108,558
Movements in provisions	(448,306)	1,123,240
Other non-cash items	823,665	-
Insurance claim received	(150,223)	-
Changes in working capital:		
Inventories	(8,122,260)	2,696,844
Receivables from exchange transactions	(80,513)	11,476
Payables from exchange transactions	241,330	(3,357,808)
VAT	(514,038)	(1,615,995)
Unspent conditional grants and receipts	(183,428)	183,428
	13,717,623	**23,412,904**

25. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	296,009	-	296,009
Cash and cash equivalents	-	-	84,490,460	84,490,460
Investments	4,015,712	-	616,430	4,632,142
	4,015,712	**296,009**	**85,106,890**	**89,418,611**

Financial liabilities

	At amortised cost	At amortised cost
Long term liabilities	136,680,943	136,680,943
Trade and other payables from exchange transactions	26,365,979	26,365,979
	163,046,922	**163,046,922**

2017

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	215,496	-	215,496
Cash and cash equivalents	-	-	8,217,482	8,217,482
Investments	3,713,688	-	71,203,955	74,917,643
	3,713,688	**215,496**	**79,421,437**	**83,350,621**

Financial liabilities

	At amortised cost	At amortised cost
Long term liabilities	142,358,647	142,358,647
Trade and other payables from exchange transactions	29,302,979	29,302,979
	171,661,626	**171,661,626**

Figures in Rand	2018	2017

26. Commitments

Authorised expenditure

Authorised capital expenditure		
• Property, plant and equipment	9,408,664	3,995,662
Authorised operational expenditure		
• Consulting and professional fees	866,140	929,974

Operating leases - as lessee

Minimum lease payments due		
- within one year	110,240	330,720
- in second to fifth year inclusive	-	110,240
	110,240	**440,960**

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

27. Contingencies

Contingent liabilities

1. Dumata Trading CC

This matter was inherited from the disestablished Bohlabela District Municipality and the plaintiff Dumata Trading CC is suing the municipality about R360 547 at the North Gauteng High Court for services rendered to Bohlabela. Pleadings have closed and plaintiff has to set the matter down for trial. Trial date has not been allocated yet for the hearing of this matter. The Attorneys of record advised that the Plaintiff have not acted further on the matter since the application of the trial date delivered on 3 February 2016.

2. Joint Municipal Pension Fund

The Joint Municipal Pension Fund is suing the municipality for contributions on pension fund of a former employee of the Municipality and was their member but left in 2007 after he volunteered to retire following the transfer of the ambulance services from the municipality to the Department of Health. The Appeal hearing was heard as scheduled by 3 Judges on the 31st of January 2018 at the North Gauteng High Court. Judge's decision will be issued in due course.

The amount claimed in this matter is estimated at R765 779.32.

28. Fruitless and wasteful expenditure

Opening balance	-	-
Current year	1,181	1,484
Condoned by Municipal Manager	(1,181)	(1,484)
	-	-

The fruitless and wasteful expenditure for the current year relates to interest paid. These expenses were condoned by the Municipal Manager.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Irregular expenditure

Opening balance	368,220	-
Add: Irregular Expenditure - current year	113,203	368,220
Less: Amounts written off	(481,423)	-
	-	**368,220**

30. Risk management

Financial risk management

Exposure to interest rate, liquidity and credit risks arises in the normal course of the Municipality's operations. The municipality has established a risk management committee, which is responsible for developing and monitoring the municipality's risk management policies. The risk management policies are established to identify and analyse the risks faced by the municipality, to set up risk limits and controls and to monitor risks and adherence to limits. Risk management policies are to be reviewed regularly to reflect changes in the municipality's activities.

Liquidity risk

Ehlanzeni District Municipality manages its liquidity risks by effectively managing its working capital, capital expenditure and external borrowings. Standby credit facilities in the form of an R20,000,000 bank overdraft facility has been negotiated with the main banker and provisionally approved. The overdraft facility will cater for any unexpected temporary shortfall in operating funds.

At 30 June 2018	Less than 1 year	Between 1 and 5 years
Long term borrowings	6,325,860	130,355,083
Payables from exchange transactions	26,365,979	-

At 30 June 2017	Less than 1 year	Between 1 and 5 years
Long term borrowings	5,677,349	136,681,298
Payables from exchange transactions	29,302,979	-

Credit risk

Ehlanzeni District Municipality manages its credit risk in its borrowing and investing activities by dealing with the A+ rated financial institutions and by spreading its exposure over a wide range of financial institutions in accordance with the approved cash and investment policy as was approved by council.

Management evaluated credit risk relating to receivables from exchange transactions on an ongoing basis. If receivables from exchange transactions are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivables, taking into account its financial position, past experience and other factors.

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

Financial instrument	2018	2017
Cash and cash equivalents	84,490,460	8,217,482
Non current investments	4,015,712	3,713,688
Current investments	616,430	71,203,955
Receivables from exchange transactions	296,009	215,496

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Risk management (continued)

Interest rate risk

Ehlanzeni District Municipality is not exposed to any interest rate risks on its financial liabilities. As at the end of the financial year, 30 June 2018, Ehlanzeni District Municipality had only one fixed interest bearing loan with the Development Bank of Southern Africa (DBSA) as reflected in APPENDIX A. It should be noted that the interest in this loan is fixed until maturity. Similarly, with financial assets, Ehlanzeni District Municipality invests its surplus funds not immediately required in a fixed interest rate deposit with the A+ rated banks for fixed terms not exceeding one year.

31. Related parties

Relationships

Members of key management & councillors	See note 16 and 17.

32. Interest received

External investment	9,288,323	8,443,966

33. Change in estimate

Property, plant and equipment

The estimated useful life of certain equipment was assessed during the current financial year. In the current financial year management have revised their estimated useful lives. The effect of this revision has increased the depreciation charges for future periods by R 2 399 725.

34. Revenue

Operational income	1,190,718	1,788,275
Rental of facilities and equipment	208,292	144,843
Interest received	9,288,323	8,443,966
Dividends received	132,959	122,873
Government grants & subsidies	237,653,110	227,282,239
	248,473,402	**237,782,196**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Operational income	1,190,718	1,788,275
Rental of facilities and equipment	208,292	144,843
Interest received	9,288,323	8,443,966
Dividends received	132,959	122,873
	10,820,292	**10,499,957**

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

Transfer revenue		
Government grants & subsidies	237,653,110	227,282,239

35. Comparative figures

Bins and Containers asset category was reclassified as Furniture and Fittings.

Certain general expenditure subcategories have been reclassified to improve reporting in line with GRAP 1.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Comparative figures (continued)

The effects of the reclassification are as follows:

Statement of financial position		
Bins and Containers - Cost	-	(4,290)
Bins and Containers - Accumulated depreciation	-	4,125
Furniture and Fittings - Cost	-	4,290
Furniture and Fittings - Accumulated depreciation	-	(4,125)
Statement of Financial Performance		
Operational expenditure (Cleaning)	-	(1,039,721)
Operational expenditure (Community outreach)	-	88,986
Operational expenditure (Tourism development)	-	950,735
Operational expenditure (Advertising)	-	(746,285)
Operational expenditure (Marketing)	-	746,285
Operational expenditure (Operational expenses)	-	(251,856)
Operational expenditure (Municipal health operational cost)	-	251,856
Operational expenditure (Project maintenance cost)	-	(197,473)
Operational expenditure (Other programs and campaigns)	-	197,473
Operational expenditure (GIS operational costs)	-	(999,487)
Operational expenditure (IT expenses)	-	999,487
Operational expenditure (Conferences and seminars)	-	(96,818)
Operational expenditure (Aids council)	-	(117,870)
Operational expenditure (Marketing)	-	(1,458)
Operational expenditure (Tourism development)	-	(174,936)
Operational expenditure (Training)	-	(81,333)
Operational expenditure (Interface programme)	-	(3,928)
Operational expenditure (Project maintenance cost)	-	(42,848)
Operational expenditure (Youth programmes)	-	(79,230)
Operational expenditure (IDP review)	-	(5,565)
Operational expenditure (Professional services)	-	(91,508)
Operational expenditure (Travel and subsistence)	-	695,494

36. Events after the reporting date

No events after the reporting date were identified by management that require adjustment to the balances at reporting date or additional disclosure.

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Membership fee - SALGA	1,154,632	1,156,508

PAYE and UIF

Amount paid - current year	23,798,209	22,314,880

Pension and Medical Aid Deductions

Amount paid - current year	30,433,229	27,316,408

VAT

VAT received - current year	7,319,037	6,922,103

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. Deviations i.t.o section 36 of Supply Chain Management Policy

Name	Reason for deviation	Amount
University of Pretoria	Impractical	10,100
Tshwane University of Technology	Impractical	17,600
CTP Media T/A Lowveld Media	Impractical	25,745
CTP Media T/A Lowveld Media	Impractical	4,602
Jonti Tenders (Pty) Ltd	Impractical	29,212
CTP Media T/A Lowveld Media	Impractical	15,119
CTP Media T/A Lowveld Media	Impractical	10,511
Pohl's Panel Beaters	Impractical	3,150
Clint Quality Fencing MP (Pty)Ltd	Single service provider	29,926
Gijima Holdings (Pty) Ltd	Impractical	31,684
Nikiwe Jannepher Mathebula	Impractical	2,500
Rosina Florence Mahlangu	Impractical	2,500
Contact Media and Communications	Single service provider	34,912
CTP Media T/A Lowveld Media	Impractical	4,412
Nikiwe Jannepher Mathebula	Impractical	2,500
Rosina Florence Mahlangu	Impractical	2,500
Environmental Systems Research Institute S.A	Impractical	87,700
CTP Media T/A Lowveld Media	Impractical	3,780
CTP Media T/A Lowveld Media	Impractical	13,295
Consas Foundation NPC	Impractical	11,754
Davhu 5 (Pty) Ltd	Impractical	14,998
The Institute of Internal Auditors South Africa	Impractical	6,737
Managed Intergrity Evaluation (Pty) Ltd	Impractical	2,029
Payday Software Systems (Pty) Ltd	Singe service provider	27,358
Pronto Computer Solutions	Impractical	7,048
The Institute of Risk Management of South Africa	Impractical	7,500
Disaster Management Institute of South Africa	Impractical	15,800
Model Electric (Pty) Ltd	Emergency	4,386
Disaster Management Institute of South Africa	Impractical	15,800
Gijima Holdings (Pty) Ltd	Impractical	19,011
Conferenz Learning Academy	Impractical	11,998
Chartered Institute of Government Finance, Auditing & Risk Officers	Impractical	5,989
Youth for Christ SA	Impractical	39,900
CTP Media T/A Lowveld Media	Impractical	5,909
SITA (Pty) Ltd	Impractical	20,351
Chartered Institute of Government Finance, Auditing & Risk Officers	Impractical	46,046
Payday Software Systems (Pty) Ltd	Single service provider	4,499
Nikiwe Jannepher Mathebula	Impractical	2,500
Rosina Florence Mahlangu	Impractical	2,500
Aqualytic Laboratory & Environmental	Single service provider	26,274
Voice of Hope Izwi Lethemba NPC	Single service provider	5,200
South African Local Government Association	Single service provider	8,000
Institute of Municipal Engineering of South Africa	Impractical	17,368
CTP Media T/A Lowveld Media	Impractical	5,790
CTP Media T/A Lowveld Media	Impractical	4,401
SITA (Pty) Ltd	Single service provider	23,158
AC Braby (Pty) Ltd	Single service provider	6,032
Gordon Institute of Business Science	Impractical	9,000
Tradevest 130 CC T/A Riverside Panel Beaters	Impractical	2,193
Marble Business Technology (Pty) Ltd	Impractical	8,000
CTP Media T/A Lowveld Media	Impractical	25,745
Payday Sogtware Systems (Pty) Ltd	Single service provider	14,340
Rhodes University	Impractical	8,800
Model Electric (Pty) Ltd	Emergency	6,579
Nelson Mandela Metropolitan University	Impractical	85,394
Protel Business Systems (Pty) Ltd	Emergency	3,680
Pronto Computer Solutions	Impractical	995

38. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

CTP Media T/A Lowveld Media	Impractical	5,281
CTP Media T/A Lowveld Media	Impractical	4,632
Pohl's Panel Beaters	Impractical	2,193
CTP Media T/A Lowveld Media	Impractical	10,870
Jonti Tenders (Pty) Ltd	Impractical	23,379
Inat and N Enterprise	Impractical	27,998
Genesis Training (Pty) Ltd	Impractical	9,800
Acute Training Management Services (Pty) Ltd	Impractical	37,960
SA Post Office SOC Ltd	Single service provider	450
Early Worx 282 (Pty) Ltd	Single service provider	2,982
Managed Intergrity Evaluation (Pty) Ltd	Impractical	496
CTP Media T/A Lowveld Media	Impractical	6,204
Jonti Tenders (Pty) Ltd	Impractical	33,037
Johnson Mndawe	Impractical	2,500
Rosina Florence Mahlangu	Impractical	2,500
Mpumalanga NCRF Hub NPC	Single service provider	117,800
Government Printing Works	Impractical	144,737
CTP Media T/A Lowveld Media	Impractical	13,959
Pohl's Panel Beaters	Impractical	1,550
Geocline Consulting CC	Impractical	100,000
Payday Software Systems (Pty) Ltd	Single service provider	2,750
Multi Choice Support Services (Pty) Ltd	Single service provider	1,135
Multi Choice Support Services (Pty) Ltd	Single service provider	3,723
Protel Business Systems (Pty) Ltd	Impractical	1,275
Protel Business Systems (Pty) Ltd	Impractical	930
Rosina Florence Mahlangu	Impractical	2,500
Nikiwe Jannepher Mathebula	Impractical	2,500
CTP Media T/A Lowveld Media	Impractical	6,204
CQS Technology Holdings (Pty) Ltd	Single service provider	2,421
CTP Media T/A Lowveld Media	Impractical	6,204
South African Institute of Professional Accountants	Impractical	10,625
Wolters Kluwer Tax & Accounting Southern Africa	Single service provider	11,176
Business Connexion (Pty) Ltd	Single service provider	7,895
Gijima Holdings (Pty) Ltd	Impractical	19,011
Payday Software Systems (Pty) Ltd	Single service provider	19,291
CTP Media T/A Lowveld Media	Impractical	26,240
Geo-Information Society of South Africa	Single service provider	2,475
Chartered Institute of Government Finance, Auditing & Risk Officers	Impractical	10,174
Chartered Institute of Government Finance, Auditing & Risk Officers	Impractical	9,911
The Instituteof Risk Management South Africa	Impractical	3,700
Payday Software Systems (Pty) Ltd	Single service provider	29,920
CTP Media T/A Lowveld Media	Impractical	15,308
CTP Media T/A Lowveld Media	Impractical	6,204
IBL Fire Fighter Equipment	Impractical	43,816
Managed Intergrity Evaluation (Pty) Ltd	Impractical	1,426
Institute of Municipal Engineering of Southern Africa	Impractical	404
Multichoice Africa (Pty) Ltd	Single Service Provider	6,076
Chartered Institute of Government Finance, Auditing & Risk Officers	Impractical	5,087
Rosina Florence Mahlangu	Impractical	2,500
Nikiwe Jannepher Mathebula	Impractical	2,500
Health Professions Council of South Africa	Impractical	22,400
Rosina Florence Mahlangu	Impractical	2,500
Nikiwe Jannepher Mathebula	Impractical	2,500
Nkomazi FM Radio	Impractical	13,485
CTP Media T/A Lowveld Media	Impractical	3,608
Jonti Tenders (Pty) Ltd	Impractical	32,689
Mandarina Trading 15 CC T/A Creative Solutions	Impractical	100,000

Figures in Rand		2018	2017

38. Deviations i.t.o section 36 of Supply Chain Management Policy (continued)

Synergy Business Events (Pty) Ltd	Impractical	67,611
Pronto Computer Solutions	Impractical	2,540
CTP Media T/A Lowveld Media	Impractical	6,204
CTP Media T/A Lowveld Media	Impractical	14,347
CTP Media T/A Lowveld Media	Impractical	6,207
Leadership Academy for Guardians of Government	Impractical	19,145
CTP Media T/A Lowveld Media	Impractical	1,158
Engineering Council of South Africa	Single service provider	3,363
University of Pretoria	Impractical	10,100
Power Quality and Renewable Services	Impractical	3,500
Impala Plumbing, Electric and Maintenance	Impractical	12,349
Kruger Lowveld Chamber of Business & Tourism	Impractical	15,809
CTP Media T/A Lowveld Media	Impractical	4,632
Pronto Computer Solutions	Impractical	5,245
SABC Treasury Department	Single service provider	1,459
Foundation for Professional Development	Impractical	8,000
CTP Media T/A Lowveld Media	Impractical	27,907
South African Local Government Association	Impractical	5,000
Foundation for Professional Development	Impractical	16,000
Payday Software Systems (Pty) Ltd	Single service provider	7,110
Union Motors	Impractical	950
The Institute of Risk Management South Africa	Impractical	1,550
CTP Media T/A Lowveld Media	Impractical	8,276
CTP Media T/A Lowveld Media	Impractical	4,831
Van Wettens Breakdown Service	Impractical	850
The Institute of Internal Auditors Management of South Africa	Impractical	5,850
Rosina Florence Mahlangu	Impractical	2,500
CTP Media T/A Lowveld Media	Impractical	6,204
Tikhulule (Pty) Ltd T/A Roseville FET College	Impractical	25,600
Payday Software Systems (Pty) Ltd	Impractical	108,104
Sipa Swaziland International Trade Fair	Impractical	32,874
Institute of Municipal People Practitioners of Southern Africa	Impractical	3,550
Institute of Municipal People Practitioners of Southern Africa	Impractical	3,550
Managed Intergrity Evaluation (Pty) Ltd	Impractical	2,029
Twain 2	Emergency	11,902
Geo-Cline Consulting CC	Impractical	40,000
Links Consulting (Pty) Ltd	Impractical	12,000
Model Electric (Pty) Ltd	Emergency	1,927
Picasso Headline (Pty) Ltd	Impractical	37,260
Nkomazi FM Radio	Impractical	9,350
South African Institute of Occupational Safety and Health	Impractical	3,550
Lavish Media (Pty) Ltd	Impractical	44,744
Department of Rural Development	Single service provider	5,928
South African Post Office	Impractical	450
Model Electric (Pty) Ltd	Emergency	2,047
Ilios Conference	Impractical	63,250
I'Langa Mall	Impractical	7,000
Paydays Software Systems (Pty) Ltd	Impractical	18,239
Paydays Software Systems (Pty) Ltd	Impractical	10,396
The Institute of Risk Management South Africa	Impractical	3,456
Managed Intergrity Evaluation (Pty) Ltd	Impractical	2,596
Kone Elevators S.A (Pty) Ltd	Single service provider	47,790
Schindler Lifts S.A (Pty) Ltd	Single service provider	33,590
Bidvest Services t/a Bidvest Steiner Nelspruit	Single service provider	100,579
		2,754,159

39. Budget differences

Material differences between budget and actual amounts

Variances in excess of 10% is considered significant and therefore explanations are provided below:

39.1 Other income

Agency fees earned on project done on behalf of the Department of Roads and Transport.

39.2 Interest Received

More interest received due to short term deposits made during the year at higher interest rates.

39.3 Employee related costs

Cost curtailment - less appointments were made on budgeted new positions.

39.4 Depreciation and amortisation

Depreciation variances due to the review of useful lives of assets as per GRAP 17 par 56.

39.5 Finance costs

Implementation of GRAP 25 - Actuarial valuations.

39.6 Grants and subsidies & Work in progress Inventories

Late appointments of contractors in the last quarter of the financial year resulting in roll overs of projects.

39.7 General expenses

Savings as a result of cost curtailment measures implemented by council during the year under review.

39.8 Investments

Increase in the share price which resulted in a increase of the fair value of Sanlam shares. All cash investments matured by 30 June 2018.

39.9 VAT Receivable

VAT refunds from SARS not received at year end.

39.10 Accumulated surplus

Surplus realised in the current year due to cost curtailment measures implemented.

39.11 Receipts / payments

Other receipts include VAT refunds from SARS. Other payments include payments made to local municipalities.

39.12 DBSA loan repayment

Paid lower amount on interest and higher amount on capital portion outstanding.

39.13 Payables from exchange transactions

Payments made to local municipalities during the year.

39.14 Purchase of Property, Plant and Equipment and Intangible Assets

39. Budget differences (continued)

Budget for Property, Plant and Equipment and Intangible assets purchased included in capital budget.

Appendix A

Schedule of external loans as at 30 June 2018

	Balance at 30 June 2017 Rand	Received during the period Rand	Redeemed / written off during the period Rand	Balance at 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of Southern Africa						
DBSA - 61000886 Maturity date: 31/12/2029 Interest calculated at 11.12%	142,358,647	-	5,677,704	136,680,943	198,698,094	-
	142,358,647	**-**	**5,677,704**	**136,680,943**	**198,698,094**	**-**
Total external loans						
Development Bank of Southern Africa	142,358,647	-	5,677,704	136,680,943	198,698,094	-
	142,358,647	**-**	**5,677,704**	**136,680,943**	**198,698,094**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation				Accumulated depreciation					
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Prior period adjustments Rand**	**Depreciation Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land and buildings										
Land	8,103,054	-	-	**8,103,054**	-	-	-	-	**-**	8,103,054
Buildings	233,895,069	1,005,660	-	**234,900,729**	(38,742,291)	-	-	(5,563,398)	**(44,305,689)**	190,595,040
	241,998,123	**1,005,660**	**-**	**243,003,783**	**(38,742,291)**	**-**	**-**	**(5,563,398)**	**(44,305,689)**	**198,698,094**
Other assets										
Plant & equipment	2,748,953	2,631	(17,870)	**2,733,714**	(1,879,527)	14,235	11,780	(159,245)	**(2,012,757)**	720,957
Furniture & Fittings	9,578,401	63,162	(10,302)	**9,631,261**	(6,639,176)	8,322	-	(500,940)	**(7,131,794)**	2,499,467
Office Equipment	26,264,740	874,231	(490,502)	**26,648,469**	(20,895,750)	459,931	-	(1,268,311)	**(21,704,130)**	4,944,339
Motor vehicles	5,321,938	1,624,528	(147,283)	**6,799,183**	(3,238,253)	31,911	-	(578,025)	**(3,784,367)**	3,014,816
	43,914,032	**2,564,552**	**(665,957)**	**45,812,627**	**(32,652,706)**	**514,399**	**11,780**	**(2,506,521)**	**(34,633,048)**	**11,179,579**
Total property plant and equipment	**285,912,155**	**3,570,212**	**(665,957)**	**288,816,410**	**(71,394,997)**	**514,399**	**11,780**	**(8,069,919)**	**(78,938,737)**	**209,877,673**
Intangible assets										
Computer software	14,190,592	469,140	(56,477)	**14,603,255**	(8,972,920)	47,905	(9,999)	(1,134,458)	**(10,069,472)**	4,533,783
	14,190,592	**469,140**	**(56,477)**	**14,603,255**	**(8,972,920)**	**47,905**	**(9,999)**	**(1,134,458)**	**(10,069,472)**	**4,533,783**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation					Accumulated Depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Prior period adjustments Rand**	**Depreciation Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality												
Chief Whip	144,866	-	-	4,127	**148,993**	(101,179)	-	(2,436)	-	(8,102)	**(111,717)**	37,276
Corporate Services	252,574,084	1,217,813	(10,748)	(699,736)	**253,081,413**	(46,629,347)	9,894	272,864	-	(6,021,803)	**(52,368,392)**	200,713,021
Disaster management	24,998,773	552,756	-	(795,323)	**24,756,206**	(20,590,254)	-	753,963	-	(846,298)	**(20,682,589)**	4,073,617
Executive Mayor	2,693,253	337,796	(7,410)	(536,928)	**2,486,711**	(1,369,594)	1,029	466,976	11,780	(309,132)	**(1,198,941)**	1,287,770
Finance and SCM	10,534,072	438,237	(537,373)	2,148,034	**12,582,970**	(6,142,365)	500,735	(1,331,638)	(9,999)	(1,189,589)	**(8,172,856)**	4,410,114
Internal Audit	173,005	-	-	2,860	**175,865**	(112,749)	-	(1,549)	-	(11,407)	**(125,705)**	50,160
LED and Tourism	1,200,855	22,252	-	(45,205)	**1,177,902**	(670,122)	-	24,447	-	(114,945)	**(760,620)**	417,282
Municipal Health	2,620,695	359,263	(166,903)	122,559	**2,935,614**	(1,536,033)	50,646	(116,646)	-	(246,402)	**(1,848,435)**	1,087,179
Municipal Manager	3,169,853	209,999	-	(981,388)	**2,398,464**	(1,893,320)	-	518,975	-	(175,427)	**(1,549,772)**	848,692
Rural Development	200,994	-	-	9,025	**210,019**	(127,092)	-	(8,843)	-	(13,683)	**(149,618)**	60,401
Social and Transversal Issues	502,520	167,459	-	13,084	**683,063**	(310,197)	-	(10,442)	-	(43,769)	**(364,408)**	318,655
Speaker	260,951	711,341	-	735,429	**1,707,721**	(175,469)	-	(548,394)	-	(160,014)	**(883,877)**	823,844
Technical Services	1,028,827	22,432	-	23,462	**1,074,721**	(710,193)	-	(17,277)	-	(63,806)	**(791,276)**	283,445
	300,102,748	**4,039,348**	**(722,434)**	**-**	**303,419,662**	**(80,367,914)**	**562,304**	**-**	**1,781**	**(9,204,377)**	**(89,008,206)**	**214,411,456**

Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2018

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
-	4,843,426	(4,843,426)	Office Executive Mayor	-	4,142,544	(4,142,544)
-	3,776,175	(3,776,175)	Office Rural Development	-	3,791,959	(3,791,959)
-	15,168,148	(15,168,148)	Office of the Speaker	-	18,273,384	(18,273,384)
-	7,612,314	(7,612,314)	Mayoral Committee	-	8,197,835	(8,197,835)
-	19,331,947	(19,331,947)	Office Municipal Manager	-	18,768,562	(18,768,562)
242,171,652	84,393,138	157,778,514	Finance	254,308,426	78,530,312	175,778,114
-	29,533,237	(29,533,237)	Corporate services	-	39,116,093	(39,116,093)
-	6,658,074	(6,658,074)	Technical Services	-	6,651,697	(6,651,697)
-	12,041,893	(12,041,893)	Municipal Health and Environment	-	17,308,098	(17,308,098)
-	1,089,727	(1,089,727)	Office Chief Whip	-	1,407,647	(1,407,647)
-	2,599,438	(2,599,438)	Internal Audit	-	2,906,346	(2,906,346)
-	8,613,729	(8,613,729)	Transversal Issues	-	2,940,380	(2,940,380)
-	15,962,817	(15,962,817)	LED and Tourism	-	16,430,452	(16,430,452)
-	12,079,166	(12,079,166)	Disaster Management and Public Safety	-	17,070,980	(17,070,980)
242,171,652	**223,703,229**	**18,468,423**		**254,308,426**	**235,536,289**	**18,772,137**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Current year 2017 Act. Bal. Rand	Current year 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Operational income	1,190,718	800,000	390,718	48.8	Refer to note 39
Rental of facilities and equipment	208,292	180,000	28,292	15.7	Refer to note 39
Interest received	9,288,323	8,500,000	788,323	9.3	
Dividends received	132,959	140,000	(7,041)	(5.0)	
Government grants & subsidies	237,653,110	237,892,000	(238,890)	(0.1)	
	248,473,402	247,512,000	961,402	0.4	
Expenses					
Employee related cost	(117,307,971)	(125,910,371)	8,602,400	(6.8)	
Remuneration of councillors	(15,543,876)	(15,817,615)	273,739	(1.7)	
Audit fees	(2,400,114)	(3,120,000)	719,886	(23.1)	Refer to note 39
Depreciation and amortisation	(9,204,377)	(12,000,000)	2,795,623	(23.3)	Refer to note 39
Finance costs	(18,859,950)	(15,139,163)	(3,720,787)	24.6	Refer to note 39
Repairs and maintenance	(2,240,374)	(2,453,815)	213,441	(8.7)	
Contracted services	(1,266,785)	(1,353,485)	86,700	(6.4)	
Grants and subsidies paid	(23,535,781)	(39,267,000)	15,731,219	(40.1)	Refer to note 39
Operational expenses	(45,167,155)	(57,507,390)	12,340,235	(21.5)	Refer to note 39
	(235,526,383)	(272,568,839)	37,042,456	(13.6)	
Other revenue and costs					
Loss on disposal of assets	(9,906)	-	(9,906)	-	Refer to note 39
Gain on fair value adjustments	302,024	-	302,024	-	Refer to note 39
Actuarial gain	5,533,000	-	5,533,000	-	Refer to note 39
	5,825,118	-	5,825,118	-	
Net surplus/ (deficit) for the year	18,772,137	(25,056,839)	43,828,976	(174.9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2018

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Chief Whip	-	-	-	**-**	
Corporate Services	1,217,813	1,650,000	432,187	**26**	
Disaster Management	552,756	560,000	7,244	**1**	
Executive Mayor	337,796	340,000	2,204	**1**	
Finance & SCM	438,237	440,000	1,763	**-**	
Internal Audit	-	-	-	**-**	
LED & Tourism	22,252	23,000	748	**3**	
Municipal Health	359,263	360,000	737	**-**	
Municipal Manager	209,999	230,000	20,001	**9**	
Planning Department	-	-	-	**-**	
Rural Develpment	-	-	-	**-**	
Social & Transversial Issues	167,459	175,000	7,541	**4**	
Speaker	711,341	718,000	6,659	**1**	
Technical Services	22,432	24,000	1,568	**7**	
Mayoral Committee	-	-	-	**-**	
	-	-	-	**-**	
	4,039,348	**4,520,000**	**480,652**	**11**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share	95,705,000	76,563,000	57,422,000	-	57,422,500	57,422,500	57,422,500	57,422,500	Yes
Finance Management Grant	1,500,000	-	-	-	181,868	249,929	718,810	349,393	Yes
National Department of Roads	1,643,000	-	704,000	-	-	827,815	239,300	893,620	Yes
Sector Education and Training Authority	73,416	31,163	31,109	48,633	-	151,419	32,902	-	Yes
Expanded Public Works Program Incentive	1,089,000	1,959,000	1,307,000	-	1,608,021	1,970,798	776,181	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	-	-	-	-	-	-	-	-	Yes
	100,010,416	78,553,163	59,464,109	48,633	59,212,389	60,622,461	59,189,693	58,665,513	