



ALFRED NZO

DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Financial statements
for the year ended 30 June 2018

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

General Information

Mayoral committee

Executive Mayor

S Mehlomakulu
S A Sello (Deputy Executive Mayor)
TP Sobuthongo (Speaker (Resigned))
B N Tobo
K J Bosman- Magangana
S Kulu (Speaker)
P N Mankahla
P A Mohale
N Msokana
N Nkula
N N Nqoko
M M Twabu (MPAC Chairperson)

Councillors

B Betwaya
N Bongwana
S A N Cekeshe
N Cwele
H N Dandala
S S Dangisa
N T Langa
N Langasiki
W P Leballo
L S Maqhashalala
F Mbuyelwa
L G Mcambalala
M Mdolo
Z Mhlwazi
M Mkhandiso
T P Motjope
B L Mzimkhulu
N L Ndamase
V Ngesi
N Njobe
N B Nkomo
L L Nqatsha
C L Nxesi
K S Phangwa
W B Potwana
F P Sontsi
E Voko
N F Sobazile

Grading of local authority

Grade 4

Accounting Officer

Z H Sikhundla

Chief Finance Officer (CFO)

U P Mahlasela

Registered office

ERF 1400
Ntsizwa Street
Mount Ayliff

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

General Information

| | |
|-------------------------|--|
| | 4735 |
| Business address | ERF 1400 Ntsizwa Street Mt Ayliff 4735 |
| Postal address | Private Bag X511 Mount Ayliff 4735 |
| Bankers | First National Bank |
| Auditors | Auditor General of South Africa Registered Auditors |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

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| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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 municipality is largely dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The audit committee is responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 67, which have been prepared on the going concern basis, were tabled to the council by the accounting officer on 31 August 2018 and were signed on its behalf by:

Z H Sikhundla
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in and operates principally in Alfred Nzo District Municipality of South Africa.

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

Net surplus of the municipality was R 585,412,806 (2017: surplus R 320,234,293).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

5. Interest in controlled entities

| Name of controlled entity | Country of incorporation if not the RSA | Shareholding% |
|-------------------------------|---|---------------|
| Alfred Nzo Development Agency | | 100 |

Details of the municipality's investment in controlled entities are set out in note 6.

6. MSCOA

The municipality has early adopted MSCOA during the year 2016/17. During the year 2017/18 the municipality migrated from MSCOA version 5.4 to 6.1 and subsequently 6.2 This resulted in many challenges in implementing MSCOA which included non compliance with timeous reporting.

Alfred Nzo District Municipality
Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 11 | 10,772,899 | 8,139,021 |
| Receivables from exchange transactions | 12 | 49,878,241 | 22,173,065 |
| Receivables from non-exchange transactions | 13 | 1,219,882 | 1,053,251 |
| VAT receivable | 14 | 28,088,651 | 21,909,269 |
| Cash and cash equivalents | 15 | 94,661,103 | 9,893,610 |
| | | 184,620,776 | 63,168,216 |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 3,582,262,545 | 3,175,873,835 |
| Intangible assets | 4 | 2,841,545 | 2,836,471 |
| Heritage assets | 5 | 131,100 | 131,100 |
| Investments in controlled entities | 6 | 100 | 100 |
| Long Term Receivables | 7 | - | 244,496 |
| Investments | 8 | 7,318,659 | 6,615,159 |
| | | 3,592,553,949 | 3,185,701,161 |
| Total Assets | | 3,777,174,725 | 3,248,869,377 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 16 | - | 8,205,675 |
| Operating lease liability | 9 | 175,570 | 121,696 |
| Payables from exchange transactions | 21 | 131,123,915 | 179,780,617 |
| Unspent conditional grants and receipts | 17 | 2 | 405,122 |
| Provisions | 18 | 897,048 | 1,097,790 |
| Current Portion of Long Term Loan | 19 | 952,631 | 892,645 |
| Payables from Non Exchange Transaction | 20 | 378,373 | 376,458 |
| | | 133,527,539 | 190,880,003 |
| Non-Current Liabilities | | | |
| Provisions | 18 | 6,660,419 | 6,086,462 |
| Long Term Loan | 19 | 6,669,086 | 7,408,437 |
| | | 13,329,505 | 13,494,899 |
| Total Liabilities | | 146,857,044 | 204,374,902 |
| Net Assets | | 3,630,317,681 | 3,044,494,475 |
| Accumulated surplus | | 3,630,317,681 | 3,044,494,475 |

* See Note 44

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Statement of Financial Performance for the Period Ended 30 June 2018

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 23 | 35,697,756 | 14,745,947 |
| Rental of facilities and equipment | 24 | 344,695 | 454,897 |
| Agency services | | 173,800 | 26,323 |
| Reversal of Provision for Impairment | | 8,309,918 | - |
| Other income | 25 | 882,785 | 2,171,278 |
| Interest received - investment | 26 | 25,261,877 | 17,847,268 |
| Actuarial gains | | - | 184,738 |
| Total revenue from exchange transactions | | 70,670,831 | 35,430,451 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 28 | 1,023,247,897 | 957,611,832 |
| Total revenue | 22 | 1,093,918,728 | 993,042,283 |
| Expenditure | | | |
| Employee related costs | 29 | (230,966,571) | (222,606,790) |
| Remuneration of councillors | 30 | (9,803,063) | (8,804,757) |
| Litigation Expenditure | 31 | (2,814,985) | (2,862,667) |
| Depreciation and amortisation | 32 | (78,393,694) | (66,106,910) |
| Finance costs | 33 | (1,723,031) | (2,518,719) |
| Lease rentals on operating lease | | (1,111,256) | (2,817,747) |
| Provision for Debt Impairment | 34 | (244,496) | (6,032,348) |
| Bulk purchases | 35 | (7,965,560) | (6,480,389) |
| Contracted services | 36 | (40,051,069) | (46,682,878) |
| Transfers and Subsidies | 27 | (17,888,335) | (101,235,681) |
| Repairs and Maintenance | | (33,439,048) | (70,240,833) |
| Actuarial losses | | (46,801) | - |
| Loss on Disposal | | (3,428,288) | (1,117,447) |
| General Expenses | 37 | (80,629,725) | (135,300,824) |
| Total expenditure | | (508,505,922) | (672,807,990) |
| Surplus for the year | | 585,412,806 | 320,234,293 |

* See Note 44

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets for the Period Ended 30 June 2018

| Figures in Rand | Government grant reserve | Accumulated surplus | Total net assets |
|---|--------------------------|------------------------|----------------------|
| Balance at 01 July 2016 | 1,517,942,029 | 1,206,771,563 | 2,724,713,592 |
| Changes in net assets | | | |
| Prior Period Error | - | (453,410) | (453,410) |
| Transfer from Government Grant Reserve | (1,517,942,029) | 1,517,942,029 | - |
| Net income (losses) recognised directly in net assets | (1,517,942,029) | 1,517,488,619 | (453,410) |
| Surplus for the year | - | 320,234,293 | 320,234,293 |
| Total recognised income and expenses for the year | (1,517,942,029) | 1,837,722,912 | 319,780,883 |
| Total changes | (1,517,942,029) | 1,837,722,912 | 319,780,883 |
| Restated* Balance at 01 July 2017 | | - 3,044,494,475 | 3,044,494,475 |
| Changes in net assets | | | |
| Assets uploading | - | 410,400 | 410,400 |
| Net income (losses) recognised directly in net assets | - | 410,400 | 410,400 |
| Surplus for the year | - | 585,412,806 | 585,412,806 |
| Total recognised income and expenses for the year | - | 585,823,206 | 585,823,206 |
| Total changes | - | 585,823,206 | 585,823,206 |
| Balance at 30 June 2018 | | - 3,630,317,681 | 3,630,317,681 |

Note(s)

* See Note 44

Alfred Nzo District Municipality
Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| Figures in Rand | Note(s) | 2018 | 2017 Restated* |
|---|-----------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Service Charges | | 16,257,082 | 13,314,514 |
| Other Receipts | | 1,193,649 | 2,656,674 |
| Interest income | | 14,840,386 | 8,107,691 |
| Government Grants and Subsidies | | 1,023,247,897 | 950,118,191 |
| | | 1,055,539,014 | 974,197,070 |
| Payments | | | |
| Employee costs | | (230,996,571) | (214,618,198) |
| Suppliers | | (251,320,013) | (355,898,860) |
| Finance costs | | (1,680,371) | (2,518,719) |
| Remuneration of Councillors | | (9,803,063) | (8,804,757) |
| Other Payments | | (355,938) | (953,311) |
| | | (494,155,956) | (582,793,845) |
| Net cash flows from operating activities | 39 | 561,383,058 | 391,403,225 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (467,129,621) | (439,932,426) |
| Proceeds from sale of property, plant and equipment | 3 | - | 1,551,211 |
| Purchase of other intangible assets | 4 | (283,321) | - |
| Proceeds from sale of other intangible assets | 4 | - | 40,001 |
| Proceeds from sale of financial assets | | (703,500) | - |
| Increase in investments | | - | 31,524,153 |
| Net cash flows from investing activities | | (468,116,443) | (406,817,061) |
| Cash flows from financing activities | | | |
| Movement in long term loan | | (661,807) | (608,782) |
| Finance lease payments | | (8,193,256) | (10,453,116) |
| Net cash flows from financing activities | | (8,855,063) | (11,061,898) |
| Net increase/(decrease) in cash and cash equivalents | | 84,411,552 | (26,475,734) |
| Cash and cash equivalents at the beginning of the year | | 9,893,610 | 36,369,344 |
| Cash and cash equivalents at the end of the year | 15 | 94,305,162 | 9,893,610 |

* See Note 44

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 23,586,200 | 15,054,688 | 38,640,888 | 35,697,756 | (2,943,132) | k) |
| Rental of facilities and equipment | 371,351 | (44,048) | 327,303 | 344,695 | 17,392 | j) |
| Agency services | - | - | - | 173,800 | 173,800 | |
| Reversal of Impairment Provision | - | - | - | 8,309,918 | 8,309,918 | |
| Other income - (rollup) | 56,779,700 | 13,777,880 | 70,557,580 | 882,785 | (69,674,795) | i) |
| Interest received - investment | 10,000,000 | - | 10,000,000 | 25,261,877 | 15,261,877 | h) |
| Total revenue from exchange transactions | 90,737,251 | 28,788,520 | 119,525,771 | 70,670,831 | (48,854,940) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 1,003,054,000 | 10,888,146 | 1,013,942,146 | 1,023,247,897 | 9,305,751 | |
| Total revenue | 1,093,791,251 | 39,676,666 | 1,133,467,917 | 1,093,918,728 | (39,549,189) | |
| Expenditure | | | | | | |
| Employee Related Cost | (251,939,836) | 21,748,561 | (230,191,275) | (230,966,571) | (775,296) | |
| Remuneration of councillors | (9,998,363) | 117,687 | (9,880,676) | (9,803,063) | 77,613 | |
| Litigation Expenditure | - | (2,900,000) | (2,900,000) | (2,814,985) | 85,015 | |
| Depreciation and amortisation | (55,000,000) | (15,000,000) | (70,000,000) | (78,393,694) | (8,393,694) | c) |
| Finance costs | (888,000) | (340,000) | (1,228,000) | (1,723,031) | (495,031) | d) |
| Lease rentals on operating lease | - | (1,200,000) | (1,200,000) | (1,111,256) | 88,744 | |
| Debt Impairment | (22,500,000) | - | (22,500,000) | (244,496) | 22,255,504 | a) |
| Bulk purchases | (3,000,000) | (3,643,636) | (6,643,636) | (7,965,560) | (1,321,924) | b) |
| Contracted Services | - | (41,500,890) | (41,500,890) | (40,051,069) | 1,449,821 | |
| Transfers and Subsidies | (20,000,000) | - | (20,000,000) | (17,888,335) | 2,111,665 | f) |
| Repairs and Maintenance | (21,200,000) | (7,870,862) | (29,070,862) | (33,439,048) | (4,368,186) | k) |
| General Expenses | (146,864,983) | 14,284,520 | (132,580,463) | (80,629,725) | 51,950,738 | e) |
| Total expenditure | (531,391,182) | (36,304,620) | (567,695,802) | (505,030,833) | 62,664,969 | |
| Operating surplus | 562,400,069 | 3,372,046 | 565,772,115 | 588,887,895 | 23,115,780 | |
| Actuarial gains/losses | - | - | - | (46,801) | (46,801) | |
| Loss on non-current assets held for sale or disposal groups | - | - | - | (3,428,288) | (3,428,288) | |
| | | | | (3,475,089) | (3,475,089) | |
| Surplus before taxation | 562,400,069 | 3,372,046 | 565,772,115 | 585,412,806 | 19,640,691 | |
| Capex | 532,273,748 | (7,344,328) | 524,929,420 | - | (524,929,420) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 30,126,321 | 10,716,374 | 40,842,695 | 585,412,806 | 544,570,111 | |
| Reconciliation | | | | | | |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

- a) Bad debt provision went down in line with the improvement in the activity of most consumer debtors accounts..
- b) Bulk Purchases- The Department of Water affairs increased their tariffs.
- c) Depreciation- this is attributed to the increase in the municipal infrastructure assets.
- d) Finance costs -caused by the interest of finance lease for the lease of trucks which was budgeted for under general expenses and disclosed separately
- e) Other expenditure- variance caused by the implementation of cost cutting measures which the municipality has strongly implemented during the year under review.
- f) Grants and subsidies- these are funds that are transferred to the development agency.
- g) Agency services- the municipality received commission on third party payments the difference is the VAT portion
- h) Interest earned- The municipality has strongly implemented the policy by investing the funds that will not be used immediately
- i) Other income- the other income included an amount of R70M that was categorised as reserves which was backed by non-cash items viz depreciation
- j) Rental of facilities - The facilities were hired more than expected as the budget was based on previous projections
- k) Service charges- The municipality strongly implemented the credit control policy hence higher collections.
- l) Repairs and maintenance is due to the delapidated infrastructure which causes high maintenance of valves and pipes

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

| Item | Depreciation method | Average useful life |
|----------------------------|---------------------|---------------------|
| Buildings | Straight line | 20-40 |
| Plant and machinery | Straight line | 2-15 |
| Furniture and fixtures | Straight line | 2-10 |
| Motor vehicles | Straight line | 4-10 |
| Office equipment | Straight line | 2-10 |
| Infrastructure- Sanitation | Straight line | 2-85 |
| Infrastructure -Water | Straight line | 2-100 |
| Infrastructure- Roads | Straight line | 5-15 |
| Bins and Containers | Straight line | 5-10 |
| Computer Equipment | Straight line | 2-10 |
| Emergency Equipment | Straight line | 2-15 |
| Park Homes | Straight line | 20-40 |
| Specialised Vehicles | Straight line | 5-15 |

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight line | 2-5 |

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

1.5 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Heritage assets (continued)

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Investments in controlled entities

In the municipality's separate financial statements, investments in investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated financial statements, are accounted for in the same way in the controlling entity's separate financial statements.

Accounting Policies

1.7 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Classification

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

| Class | Category |
|---|--|
| Unlisted Investments | Financial asset measured at amortised cost |
| Investments in Fixed Deposits | Financial asset measured at fair value |
| Long Term Receivables | Financial asset measured at amortised cost |
| Receivables from Exchange Transactions | Financial asset measured at amortised cost |
| Cash and Cash Equivalents - notice deposits | Financial asset measured at amortised cost |
| Cash and Cash Equivalents- Call Deposits | Financial asset measured at fair value |
| Cash and Cash Equivalents | Financial asset measured at fair value |

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

| Class | Category |
|-----------------------|--|
| Long Term Liabilities | Financial liability measured at amortised cost |
| Payables | Financial liability measured at amortised cost |
| Bank Overdraft | Financial liability measured at amortised cost |

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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Accounting Policies

1.7 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Presentation

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

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

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

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

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

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

1.8 Leases

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

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

Finance leases - 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.

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Accounting Policies

1.8 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 .

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.

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

- distribution at no charge or for a nominal charge; or
- 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.9 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.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

1.11 Share capital / contributed capital

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

1.12 Compound instruments

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the municipality, is included in equity.

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

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

Accounting Policies

1.13 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

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

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

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

Participating entities under common control

The contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost is: [provide details]
OR There is no contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost.

The policy for determining the contribution to be paid by the entity is as follows: [provide details]

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

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

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

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

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

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and .

If the related asset is measured using the revaluation model:

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

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

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

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

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

Measurement

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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.

Alfred Nzo District Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.19 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.

1.20 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.

Accounting Policies

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

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

2. New standards and interpretations

2.1 Standards issued but not yet effective

| | |
|---|------------------------|
| GRAP 18- Segment Reporting | Effective 1 April 2020 |
| GRAP 20- Related Parties | Effective 1 April 2019 |
| GRAP 32-Service Concession Arrangements | Effective 1 April 2019 |
| GRAP 108- Statutory Receivables | Effective 1 April 2019 |
| GRAP 109- Accounting by Principles and Agents | Effective 1 April 2019 |
| GRAP 110-Living and Non Living Resources | |

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2018

2017

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2018

2017

3. 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 | 465,000 | - | 465,000 | 465,000 | - | 465,000 |
| Buildings | 57,294,070 | (21,916,767) | 35,377,303 | 56,779,652 | (20,077,970) | 36,701,682 |
| Infrastructure | 2,176,002,353 | (400,213,036) | 1,775,789,317 | 2,068,069,463 | (338,395,169) | 1,729,674,294 |
| Other property, plant and equipment | 77,657,683 | (36,792,040) | 40,865,643 | 48,193,527 | (20,923,800) | 27,269,727 |
| Assets Under Construction | 1,729,765,282 | - | 1,729,765,282 | 1,352,909,108 | - | 1,352,909,108 |
| Finance Leased Assets | - | - | - | 34,605,449 | (5,751,425) | 28,854,024 |
| Total | 4,041,184,388 | (458,921,843) | 3,582,262,545 | 3,561,022,199 | (385,148,364) | 3,175,873,835 |

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Transfers | Other changes, movements | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|--------------------|---------------|--------------------------|---------------------|----------------------|
| Land | 465,000 | - | - | - | - | - | 465,000 |
| Buildings | 36,701,682 | 514,419 | - | - | - | (1,838,797) | 35,377,303 |
| Infrastructure | 1,729,674,294 | - | - | 108,594,556 | (245,011) | (62,234,522) | 1,775,789,317 |
| Other property, plant and equipment | 27,269,727 | 2,719,886 | (3,955,867) | 28,854,024 | - | (14,022,127) | 40,865,643 |
| Assets Under Construction | 1,352,909,108 | 485,450,730 | - | (108,594,556) | - | - | 1,729,765,282 |
| Finance Leased Assets | 28,854,024 | - | - | (28,854,024) | - | - | - |
| | 3,175,873,835 | 488,685,035 | (3,955,867) | - | (245,011) | (78,095,446) | 3,582,262,545 |

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|--------------------|---------------|---------------------|----------------------|
| Land | 465,000 | - | - | - | - | 465,000 |
| Buildings | 37,176,514 | 1,883,020 | (529,075) | - | (1,828,777) | 36,701,682 |
| Infrastructure | 1,535,707,322 | - | - | 247,475,281 | (53,508,309) | 1,729,674,294 |
| Other property, plant and equipment | 28,578,756 | 8,096,534 | (2,894,347) | - | (6,511,216) | 27,269,727 |
| Assets Under Construction | 1,175,950,677 | 424,433,712 | - | (247,475,281) | - | 1,352,909,108 |
| Finance Leased Assets | 31,622,460 | - | - | - | (2,768,436) | 28,854,024 |
| | 2,809,500,729 | 434,413,266 | (3,423,422) | - | (64,616,738) | 3,175,873,835 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

4. Intangible assets

| | 2018 | | | 2017 | | |
|---|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, internally generated | 6,124,680 | (3,283,135) | 2,841,545 | 5,821,359 | (2,984,888) | 2,836,471 |

Reconciliation of intangible assets - 2018

| | Opening balance | Additions | Other changes, movements | Amortisation | Total |
|---|-----------------|-----------|--------------------------|--------------|-----------|
| Computer software, internally generated | 2,836,471 | 283,321 | 20,000 | (298,247) | 2,841,545 |

Reconciliation of intangible assets - 2017

| | Opening balance | Disposals | Amortisation | Total |
|---|-----------------|-----------|--------------|-----------|
| Computer software, internally generated | 3,499,014 | (40,001) | (622,542) | 2,836,471 |

5. Heritage assets

| | 2018 | | | 2017 | | |
|---|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art Collections, antiquities and exhibits | 131,100 | - | 131,100 | 131,100 | - | 131,100 |

6. Investments in controlled entities

| Name of company | Held by | % holding 2018 | % holding 2017 | Carrying amount 2018 | Carrying amount 2017 |
|-------------------------------|---------|----------------|----------------|----------------------|----------------------|
| Alfred Nzo Development Agency | | 100.00 % | 100.00 % | 100 | 100 |

The carrying amounts of controlled entities are shown at cost.

7. Long Term Receivables

| | | |
|---------------------------|-------------|----------------|
| Long Term Receivables | 1,088,862 | 1,088,862 |
| Impairment of staff loans | (1,088,862) | (844,366) |
| | - | 244,496 |

8. Investments

| Designated at fair value | | |
|------------------------------|-----------|-----------|
| Nedbank Long term investment | 7,318,659 | 6,615,159 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | | | 2018 | 2017 | |
|-------------------------------------|------------------|------------------|---------------------------|---------------------------|------------|
| 8. Investments (continued) | | | | | |
| Account | Cashbook 2018 | Cashbook 2017 | Bank Statement 2018 | Bank Statement 2017 | Total |
| Nedbank Account | 7,318,659 | 6,615,159 | 7,318,659 | 6,615,159 | 27,867,636 |
| 9. Operating lease liability | | | | | |
| Current liabilities | | | | (175,570) | (121,696) |

10. Employee benefit obligations

Information on post retirements benefits

The municipality makes provision for post retirement benefits to eligible Councilors and employees who belong to different pension schemes.

All Councilors belong to Pension Fund for Municipal Councilors.

Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by Pension Funds Act and include both defined and defined contribution schemes. All these afore-mentioned schemes are multi employer plans and are subject to tri annual or annual valuation

Defined Contribution Schemes

Currently the municipality is making contributions to 3 defined contribution pension schemes namely Samwu National Provident Fund (SANPF). Municipal Councilors Pension Fund (MCPF), Cape Joint Pension Fund (CJPF)

GRAP 25 requires the disclosure of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution to these contribution schemes for the year.

Defined Benefit Schemes

The municipality currently participates in Municipal Employees Pension Fund (MEPF), Government Employees Pension Fund (GEPF) Natal Joint Municipal Fund (NJMPF), South African Local Authorities Pension Fund (SALA).

All these are multi employer schemes and sufficient information is not available for the municipality to fully comply with the requirements of GRAP 25 with regards to defined benefits scheme. Plan assets are presented as one portfolio and not notionally allocated to each participating employer, the plan financial assets are not constructed separately for each participating employer but rather in respect of the whole plan including all participating employees. Contribution rates do not vary by participating employers.

The standard requires disclosures of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution paid to these defined schemes in respect of this period.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---------------------|---------------------|
| 11. Inventories | | |
| Consumable stores | 5,009,195 | 4,789,277 |
| Water | 5,763,704 | 3,349,744 |
| | 10,772,899 | 8,139,021 |
| 11.1 Water Losses | | |
| Water Stock Opening Balance | 207,460 | 206,060 |
| Produced (volumes) | 2,920,347 | 5,944,574 |
| Less water sales | (1,913,952) | (612,522) |
| Less water stock closing balance | (207,190) | (207,460) |
| | 1,006,665 | 5,330,652 |
| Cost of producing one cubic meter | 28 | 16 |
| Water loss in rands | 27,967,427 | 53,523,055 |
| Water loss as a % of produced | 66 | 75 |
| 12. Receivables from exchange transactions | | |
| Consumer debtors - Water | 46,314,138 | 19,188,777 |
| Consumer debtors - Sewerage | 2,115,253 | 913,550 |
| Consumer debtors - Other | 1,448,850 | 2,070,738 |
| | 49,878,241 | 22,173,065 |
| Gross Amount | | |
| Water | 115,600,506 | 98,921,064 |
| Sanitation | 15,391,488 | 12,752,273 |
| Other | 2,931,822 | 2,855,222 |
| | 133,923,816 | 114,528,559 |
| Less Impairment Provision | | |
| Water | (69,286,368) | (79,686,869) |
| Sanitation | (13,276,235) | (11,838,723) |
| Other | (1,482,972) | (829,901) |
| | (84,045,575) | (92,355,493) |
| Net Balances | | |
| Water | 46,314,138 | 19,234,195 |
| Sanitation | 2,115,253 | 913,550 |
| Other | 1,448,972 | 2,025,321 |
| | 49,878,363 | 22,173,066 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|--------------------|-------------------|
| 12. Receivables from exchange transactions (continued) | | |
| Water | | |
| The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: | | |
| Current (0-30 days) | 4,292,803 | 1,631,025 |
| 31- 60 days | 5,448,292 | 1,233,916 |
| 61-90 days | 3,744,651 | 1,548,924 |
| 91-120 days | 2,772,772 | 1,258,908 |
| >120 days | 99,341,988 | 93,248,290 |
| | 115,600,506 | 98,921,063 |
| Sewerage | | |
| Current (0 -30 days) | 343,728 | 314,587 |
| 31-060 days | 328,925 | 304,152 |
| 61-90 days | 317,137 | 295,071 |
| 91- 120days | 304,532 | 291,518 |
| > 120 days | 14,097,598 | 11,546,946 |
| | 15,391,920 | 12,752,274 |
| Other | | |
| Current (0-30 days) | 33,017 | 29,890 |
| 31- 60 days | 33,017 | 29,890 |
| 61-90 days | 33,017 | 29,890 |
| 91- 120 days | 32,730 | 29,890 |
| >120 days | 2,800,040 | 2,735,663 |
| | 2,931,821 | 2,855,223 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0-30 days) | 847,086 | 1,015,872 |
| 31 60 days | 1,387,071 | 782,390 |
| 61- 90 days | 1,428,807 | 979,119 |
| 91-120 days | 814,660 | 894,479 |
| >120 days | 72,871,803 | 69,113,192 |
| Subtotal | 77,349,427 | 72,785,052 |
| Less Impairment Provision | (64,258,161) | (69,067,776) |
| | 13,091,266 | 3,717,276 |
| Industrial/ Commercial | | |
| Current (0-30 days) | 360,783 | 422,845 |
| 31-60 days | 652,022 | 359,633 |
| 61-90 days | 591,825 | 393,242 |
| 91-120 days | 430,000 | 386,305 |
| >120 days | 22,558,097 | 20,489,249 |
| Subtotal | 24,592,727 | 22,051,274 |
| Less Impairment Provision | (21,739,165) | 22,810 |
| | 2,853,562 | 22,074,084 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|----------------|---------------|
| 12. Receivables from exchange transactions (continued) | | |
| Churches | | |
| Current (0-30 days) | 22,810 | 22,200 |
| 31-60 days | 41,608 | 46,679 |
| 61-90 days | 39,218 | 23,027 |
| 91-120 days | 27,659 | 20,354 |
| >120 days | 1,744,123 | 1,330,645 |
| Subtotal | 1,875,418 | 1,442,905 |
| Less Impairment Allowance | (1,696,393) | (1,388,968) |
| | 179,025 | 53,937 |

The carrying amount of trade and other receivables are denominated in the following currencies:

| | | |
|---|-------------------|------------------|
| National and Provincial Government | | |
| Current (0-30 days) | 3,342,615 | 514,584 |
| 31-60 days | 3,729,534 | 379,256 |
| 61-90 days | 2,034,955 | 478,497 |
| 91-120 days | 1,836,848 | 279,178 |
| >120 days | 17,669,512 | 15,182,433 |
| Subtotal | 28,613,464 | 16,833,948 |
| Less Impairment provision | (10,468,314) | (10,226,971) |
| | 18,145,150 | 6,606,977 |

| | | |
|---------------------|-------------|----------------|
| Other Sundry | | |
| | 1,424,891 | 1,415,380 |
| | (1,424,202) | (785,536) |
| | 689 | 629,844 |

| | | |
|---------------------------|-------------------|-------------------|
| Total | | |
| Current (0-30 days) | 4,669,117 | 1,975,502 |
| 31-60 days | 5,810,234 | 1,567,958 |
| 61-90 days | 4,094,805 | 1,873,885 |
| 91-120 days | 3,110,034 | 1,580,316 |
| >120 days | 116,239,626 | 107,530,899 |
| Subtotal | 133,923,816 | 114,528,560 |
| Less Impairment Provision | (84,045,576) | (92,355,494) |
| | 49,878,240 | 22,173,066 |

Reconciliation of provision for impairment of trade and other receivables

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 92,355,493 | 86,323,145 |
| Provision for impairment | (8,309,918) | 6,032,348 |
| | 84,045,575 | 92,355,493 |

Consumer debtors pledged as security

No consumer debtors were pledged as security during the year.

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|-----------------|------|------|
|-----------------|------|------|

12. Receivables from exchange transactions (continued)

Credit quality of consumer receivables

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened.

None of the financial assets that are fully performing have been renegotiated in the last year.

13. Receivables from non-exchange transactions

| | | |
|---------------|------------------|------------------|
| Staff Debtors | 618,392 | 1,053,251 |
| Other Debtors | 601,490 | - |
| | 1,219,882 | 1,053,251 |

14. VAT receivable

| | | |
|-----|------------|------------|
| VAT | 28,088,651 | 21,909,269 |
|-----|------------|------------|

VAT is payable on a cash basis once payment has been received from debtors then VAT is paid over to SARS

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

15. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|------------------|
| Short Term Deposits | 70,923,519 | 9,708,128 |
| Bank balances | 23,737,584 | 185,482 |
| | 94,661,103 | 9,893,610 |

Short term deposits are investments with a maturity of less than 3 months and earn interests rates varying from 0% to 7.5% per annum.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|-------------------|-------------------|--------------------|------------------|-------------------|
| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
| Main Account- Current Account #62024932974 | 28,448,579 | 14,182,983 | 9,184,689 | 23,737,581 | 185,482 | 9,012,821 |
| ANDM Main Call Account # 62474364553 | 25,643,010 | 7,446,960 | 27,581 | 25,643,011 | 7,446,960 | 6,402,568 |
| Attic Account- Call Account #62058639348 | - | 14,175 | 212,653 | - | 14,175 | 212,653 |
| DBSA -MIG Front loading Account#62425228732 | 42,352,676 | 2,528 | 5,748 | 42,352,676 | 2,528 | 5,748 |
| Disaster Relief Account #62454657720 | 403,129 | 517,655 | 1,158,507 | 403,129 | 517,655 | 1,494,956 |
| Dwaf Capital Account #62027459371 | 75,967 | 25,424 | 8,536,574 | 75,967 | 25,424 | 3,066,982 |
| EPWP Account # 62058637110 | 64,819 | 61,633 | 9,204 | 329,624 | 61,633 | 9,204 |
| FMG | 65,326 | 5,068 | 493,811 | 65,326 | 5,068 | 328,422 |
| MWIG Grant/ Led Capacity | 115,244 | 32,153 | 2,060,879 | 115,244 | 32,153 | 2,060,879 |
| MSIG Account # 62027455808 | - | 4,859 | 676,917 | - | 4,859 | 377,172 |
| Reserve Fund Account# 62027456559 | 11,490 | 505,800 | 9,023,167 | 11,490 | 505,800 | 9,023,167 |
| Rural Housing and Development Account#62027456559 | - | 3,467 | 3,609,954 | - | 3,467 | 3,609,945 |
| Sport & Recreation Account # 620255448855 | 123,110 | 154,372 | 7,043 | 123,110 | 154,372 | 7,043 |
| Thetha/ ISDG Account# 62093560136 | 1,437,430 | 834,470 | 891,769 | 1,437,430 | 834,470 | 451,515 |
| MIG Account # 62065368328 | 366,512 | 99,564 | 306,269 | 366,512 | 99,564 | 306,269 |
| Total | 99,107,292 | 23,891,111 | 36,204,765 | 94,661,100 | 9,893,610 | 36,369,344 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------|------------------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - within one year | - | 8,531,749 |
| | - | 8,531,749 |
| less: future finance charges | - | (338,493) |
| Present value of minimum lease payments | - | 8,193,256 |
| Present value of minimum lease payments due | | |
| - within one year | - | 8,205,675 |

The lease liability relates to motor vehicles acquired during the 2014/2015 and 2015/2016 financial years. The lease term is 32 months with effective interest rate 10.5%. The net book value as reported under note 3

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

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts | | |
|---|----------|----------------|
| Municipal Systems Implementation Grant | (1) | (1) |
| Energy Efficiency | - | 1 |
| Infrastructure Skills Development Grant | 3 | 405,122 |
| | 2 | 405,122 |

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand 2018 2017

18. Provisions

Reconciliation of provisions - 2018

| | Opening Balance | Additions | Total |
|--------------------------|--------------------|----------------|------------------|
| Current Long Service | 1,097,790 | (200,742) | 897,048 |
| Non Current Long Service | 6,086,462 | 573,957 | 6,660,419 |
| | 7,184,252 | 373,215 | 7,557,467 |

Reconciliation of provisions - 2017

| | Opening Balance | Additions | Utilised during the year | Total |
|--------------------------|--------------------|------------------|--------------------------------|------------------|
| Current Long Service | 1,389,405 | (291,615) | - | 1,097,790 |
| Non Current Long Service | 5,895,707 | 1,764,898 | (1,574,143) | 6,086,462 |
| | 7,285,112 | 1,473,283 | (1,574,143) | 7,184,252 |
| Non-current liabilities | | | 6,660,419 | 6,086,462 |
| Current liabilities | | | 897,048 | 1,097,790 |
| | | | 7,557,467 | 7,184,252 |

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long- service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 448 (2017: 438) employees were eligible for Long Service Awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows

| | | |
|----------------------------------|----|----|
| Discount rate % | 9 | 8 |
| Cost Inflation Rate % | 6 | 6 |
| Net Effective Discount rate % | 2 | 2 |
| Expected retirement age- Females | 60 | 60 |
| Expected retirement age - Males | 65 | 65 |
| | - | - |

Movements in the present value of the Defined Obligation were as follows:

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 7,184,252 | 7,285,112 |
| Current service cost | 867,505 | 914,964 |
| Interest cost | 556,699 | 558,319 |
| Benefit paid | (1,097,790) | (1,389,405) |
| Actuarial (gains) / losses | 46,801 | (184,738) |
| Present Value of Fund at the end of the Year | 7,557,467 | 7,184,252 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------------------|------------------|
| 18. Provisions (continued) | | |
| The amounts recognised in the Statement of Financial Performance are as follows | | |
| Current service cost | 867,505 | 914,964 |
| Interest cost | 556,699 | 558,319 |
| Actuarial gains | 46,801 | (184,738) |
| | 1,471,005 | 1,288,545 |

The history of experienced adjustments is as follows

| | 2018 | 2017 | 2016 | 2015 |
|---|-----------|-----------|-----------|-----------|
| Present Value of Defined Value Obligation | 7,557,467 | 7,184,252 | 7,285,122 | 6,790,210 |

19. Long Term Loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan Refer to Appendix for more detail on Long term liabilities.

Development Bank of South Africa

| | | |
|-------------------------------|------------------|------------------|
| Non Current at Amortised Cost | 6,669,086 | 7,408,437 |
| Current at Amortised cost | 952,631 | 892,645 |
| | 7,621,717 | 8,301,082 |

20. Payables from Non Exchange Transactions

Unallocated Credits relate to customer deposits made into the municipality bank account but can not be allocated to a particular customer as the identity of the customer is unknown

| | | |
|---------------------|---------|---------|
| Unallocated credits | 378,373 | 376,458 |
|---------------------|---------|---------|

21. Payables from exchange transactions

| | | |
|----------------------|--------------------|--------------------|
| Trade payables | 1,106,838 | 2,093,783 |
| Accruals | 35,410,050 | 106,040,615 |
| Accrued leave pay | 21,925,364 | 17,938,232 |
| Accrued bonus | 4,322,731 | 4,102,307 |
| Retentions | 68,449,310 | 50,171,166 |
| Third Party Payments | (7,595) | (1,882) |
| Other Creditors #7 | - | 151,656 |
| Other Creditors | (82,783) | (715,260) |
| | 131,123,915 | 179,780,617 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|------------------------------------|----------------------|--------------------|
| 22. Revenue | | |
| Service charges | 35,697,756 | 14,745,947 |
| Rental of facilities and equipment | 344,695 | 454,897 |
| Agency services | 173,800 | 26,323 |
| Municipal Revenue UD1 | 8,309,918 | - |
| Other income | 882,785 | 2,171,278 |
| Interest received - investment | 25,261,877 | 17,847,268 |
| Government grants & subsidies | 1,023,247,897 | 957,611,832 |
| | 1,093,918,728 | 992,857,545 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|------------------------------------|-------------------|-------------------|
| Service charges | 35,697,756 | 14,745,947 |
| Rental of facilities and equipment | 344,695 | 454,897 |
| Agency services | 173,800 | 26,323 |
| Municipal Revenue UD1 | 8,309,918 | - |
| Other income | 882,785 | 2,171,278 |
| Interest received - investment | 25,261,877 | 17,847,268 |
| | 70,670,831 | 35,245,713 |

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

| | | |
|-------------------------------|---------------|-------------|
| Government grants & subsidies | 1,023,247,897 | 957,611,832 |
|-------------------------------|---------------|-------------|

23. Service charges

| | | |
|---------------------------------|-------------------|-------------------|
| Sale of water | 32,465,743 | 12,523,909 |
| Sewerage and sanitation charges | 3,232,013 | 2,222,038 |
| | 35,697,756 | 14,745,947 |

24. Rental of facilities and equipment

| | | |
|----------|---------|---------|
| Premises | 344,695 | 454,897 |
|----------|---------|---------|

25. Other income

| | | |
|-----------------|----------------|------------------|
| Clearance fees | 289,167 | 42,620 |
| Fire Levy | 11,778 | 21,736 |
| Sundry Income | 581,840 | 322,278 |
| Sassetta | - | 1,522,707 |
| Insurance claim | - | 261,937 |
| | 882,785 | 2,171,278 |

26. Investment revenue

| | | |
|-------------------------|-------------------|-------------------|
| Interest revenue | | |
| Call Deposits | 14,840,386 | 8,107,691 |
| Debtors Discounting | 10,421,491 | 9,739,577 |
| | 25,261,877 | 17,847,268 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--------------------------------------|------------|-------------|
| 27. Grants and subsidies paid | | |
| Other subsidies | | |
| Other Grants | 17,888,335 | 101,235,681 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|----------------------|--------------------|
| 28. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 437,586,120 | 387,046,635 |
| Finance Management Grant | 1,795,000 | 1,460,000 |
| Local Government SETA | 634,493 | 649,525 |
| National Heritage Grant | - | 405,000 |
| Human Settlements Grant | 22,715,146 | - |
| Energy Efficiency and Demand Management | 5,000,000 | 8,000,000 |
| Rural Housing | - | 1,327,253 |
| Expanded Public Works Programme | 10,280,000 | 6,006,001 |
| Water Services Infrastructure Grant | 109,999,999 | 101,171,000 |
| Municipal Infrastructure Grant | 373,989,000 | 361,497,000 |
| Regional Bulk Infrastructure Grant | 53,569,139 | 83,297,538 |
| Department of Transport | 2,285,000 | 2,157,000 |
| Infrastructure Skills Development Grant | 5,394,000 | 4,594,880 |
| | 1,023,247,897 | 957,611,832 |

Equitable Share

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

Expanded Public Works Programme

| | | |
|---|--------------|-------------|
| Current-year receipts | 10,280,000 | 6,006,000 |
| Conditions met - transferred to revenue | (10,280,000) | (6,006,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

EPWP grant is used to incentivise municipalities 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, basic services, infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure) other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land based livelihoods, social services programmes and community safety programmes.

Municipal Systems Improvement Grant

Conditions still to be met - remain liabilities (see note 17).

The grant was used to establish and review policies, by laws, internal control systems and preparation of a GRAP compliant Asset Register. Funds for this grant were not received and no communication was received from treasury.

Finance Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,795,000 | 1,460,000 |
| Conditions met - transferred to revenue | (1,795,000) | (1,460,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17)..

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld. Additional text

Municipal Infrastructure Grant

| | | |
|-----------------------|-------------|-------------|
| Current-year receipts | 373,989,000 | 361,497,000 |
|-----------------------|-------------|-------------|

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------|-------------|
| 28. Government grants and subsidies (continued) | | |
| Current-year receipts | - | 1,327,254 |
| Conditions met - transferred to revenue | - | (1,327,254) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

To provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk dependant services are not viable.

Energy Efficiency

| | | |
|---|-------------|-------------|
| Current-year receipts | 5,000,000 | 8,000,000 |
| Conditions met - transferred to revenue | (5,000,000) | (8,000,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 17).

To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency..

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|-------------------------------------|--------------------|--------------------|
| 29. Employee related costs | | |
| Basic | 151,961,367 | 142,315,656 |
| Bonus | 8,983,687 | 8,212,558 |
| Medical aid - company contributions | 7,856,085 | 6,976,103 |
| UIF | 1,208,109 | 854,999 |
| SDL | 1,719,631 | 1,632,734 |
| Leave pay provision charge | 5,976,446 | 10,301,494 |
| Defined contribution plans | 15,279,212 | 13,727,316 |
| Overtime payments | 565,796 | 3,790,380 |
| Long-service awards | 892,459 | 696,143 |
| Transport allowance (bus coupons) | 14,693,623 | 13,018,842 |
| Housing benefits and allowances | 7,785,717 | 7,561,118 |
| Standby allowances | 197,355 | 1,217,738 |
| Shift Allowances | 13,801,483 | 12,258,233 |
| Bargaining Council | 45,601 | 43,476 |
| | 230,966,571 | 222,606,790 |

Remuneration of Municipal Manager

| | | |
|----------------------|------------------|------------------|
| Annual Remuneration | 1,077,203 | 958,112 |
| Car Allowance | 88,874 | 76,902 |
| Bonus | 36,493 | 77,645 |
| Contributions to UIF | 15,252 | 322,987 |
| Other | 381,892 | 138,423 |
| | 1,599,714 | 1,574,069 |

Remuneration of Chief Finance Officer

| | | |
|---|------------------|----------------|
| Annual Remuneration | 547,272 | 159,490 |
| Car Allowance | 243,200 | 30,000 |
| Bonus | 69,028 | 9,973 |
| Contributions to UIF, Medical and Pension Funds | 13,155 | - |
| Other | 456,974 | - |
| | 1,329,629 | 199,463 |

The CFO joined in May 2017 hence the comparative is lower.

Remuneration of Senior Manager - Community Services

| | | |
|----------------------|------------------|------------------|
| Annual Remuneration | 967,787 | 929,954 |
| Car Allowance | 148,535 | 137,471 |
| Bonus | 77,496 | 72,020 |
| Contributions to UIF | 16,218 | 248,400 |
| Other | 416,007 | 136,620 |
| | 1,626,043 | 1,524,465 |

Remuneration of Senior Manager- Corporate Services

| | | |
|---|----------------|----------------|
| Annual Remuneration | 172,826 | 394,843 |
| Car Allowance | 72,011 | 97,687 |
| Bonus | - | 73,527 |
| Contributions to UIF, Medical and Pension Funds | 3,086 | 53,315 |
| Other | 28,804 | 59,340 |
| | 276,727 | 678,712 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------------------|------------------|
| 29. Employee related costs (continued) | | |
| Remuneration of Senior Manager -Technical Services | | |
| Annual Remuneration | 964,731 | 929,954 |
| Car Allowance | 199,253 | 326,579 |
| Bonuses | 53,411 | 75,363 |
| Contributions to UIF | 15,868 | 162,812 |
| Other | 155,931 | 33,099 |
| | 1,389,194 | 1,527,807 |
| Remuneration of Senior Manager -Planning and Economic Development | | |
| Annual Remuneration | 873,650 | 929,951 |
| Car Allowance | 70,723 | 74,641 |
| Bonus | 89,834 | 63,343 |
| Contributions to UIF, Medical and Pension Funds | 16,210 | 179,140 |
| Other | 424,336 | 268,709 |
| | 1,474,753 | 1,515,784 |
| 30. Remuneration of councillors | | |
| Councillors | 9,803,063 | 8,804,757 |
| Remuneration of Councillors | | |
| Executive Mayor | 826,414 | 664,966 |
| Deputy Mayor | 661,129 | 507,513 |
| Speaker | 649,262 | 531,971 |
| Chief Whip | 619,811 | 498,724 |
| Mayoral Committe | 4,721,790 | 3,299,652 |
| Councillors | 2,324,657 | 3,301,931 |
| | 9,803,063 | 8,804,757 |
| 31. Litigation Expenditure | | |
| Legal Fees | 2,814,985 | 2,862,667 |
| 32. Depreciation and amortisation | | |
| Property, plant and equipment | 78,393,694 | 66,106,910 |
| 33. Finance costs | | |
| Interest on Overdue Accounts | 42,660 | 88,710 |
| Finance leases | 338,493 | 1,465,024 |
| Late payment of tax | 452,215 | - |
| DBSA Loan | 889,663 | 964,985 |
| | 1,723,031 | 2,518,719 |
| 34. Debt impairment | | |
| Provision for Debt Impairment | 244,496 | 6,032,348 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|-----------------------------------|-------------------|--------------------|
| 35. Bulk purchases | | |
| Water | 7,965,560 | 6,480,389 |
| 36. Contracted services | | |
| Security Services | 12,446,256 | 13,461,201 |
| Specialist Services | 346,134 | 759,697 |
| Other Contractors | 27,258,679 | 32,461,980 |
| | 40,051,069 | 46,682,878 |
| 37. General expenses | | |
| Advertising | 932,843 | 3,381,444 |
| Auditors remuneration | 5,977,066 | 6,878,996 |
| Bank charges | 836,754 | 755,811 |
| Cleaning | 29,802 | 555,654 |
| Consulting and professional fees | 3,175,755 | 26,215,665 |
| Consumables | 2,219,141 | 7,924,734 |
| Insurance | 953,726 | 589,802 |
| Conferences and seminars | 2,133,894 | 36,235 |
| Magazines, books and periodicals | - | (5,830) |
| Fuel and oil | 3,739,496 | 3,230,751 |
| Placement fees | - | 224,990 |
| Printing and stationery | 782,031 | 695,846 |
| Protective clothing | 2,102,979 | 1,995,715 |
| Software expenses | 260,712 | - |
| Subscriptions and membership fees | 2,671,479 | 102,109 |
| Telephone and fax | 6,975,756 | 7,404,490 |
| Training | - | 1,798,489 |
| Travel - local | 11,179,564 | 16,131,212 |
| Electricity | 13,331,635 | 12,260,578 |
| Accommodation | 4,268,762 | 8,322,484 |
| Audit Committee | 388,885 | 369,496 |
| Catering and Venue Hire | 739,397 | 9,813,902 |
| Licence Fees | 7,720,430 | 1,141,109 |
| Other expenses | 10,209,618 | 25,477,142 |
| | 80,629,725 | 135,300,824 |
| 38. Auditors' remuneration | | |
| Fees | 5,977,066 | 6,878,996 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|--------------------|--------------------|
| 39. Cash generated from operations | | |
| Surplus | 585,412,806 | 320,234,293 |
| Adjustments for: | | |
| Depreciation and amortisation | 78,393,694 | 66,106,910 |
| Gain on discontinued operations | 3,428,288 | 1,117,447 |
| Actuarial Gains | (8,309,918) | (184,736) |
| Debt impairment | 244,496 | 6,032,348 |
| Movements in operating lease assets and accruals | 53,874 | 75,935 |
| Movements in provisions | 373,215 | (100,860) |
| Provision for Leave Pay | (12,706,167) | 7,408,804 |
| Changes in working capital: | | |
| Inventories | (2,633,878) | (2,590,241) |
| Receivables from exchange transactions | (27,524,509) | (11,171,010) |
| Other receivables from non-exchange transactions | (166,631) | 25,486 |
| Payables from exchange transactions | (48,555,402) | 26,583,732 |
| VAT | (6,221,690) | (14,063,010) |
| Unspent conditional grants and receipts | (405,120) | (7,493,641) |
| Payables from Non Exchange Transaction | - | (578,232) |
| | 561,383,058 | 391,403,225 |

40. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

| | At fair value | At amortised cost | At cost | Total |
|--|--------------------|-------------------|------------|--------------------|
| Unlisted Investments | - | - | 100 | 100 |
| Long Term Receivables | - | 244,496 | - | 244,496 |
| Long Term Investment | 7,318,659 | - | - | 7,318,659 |
| Trade and other receivables from exchange transactions | - | 27,741,131 | - | 27,741,131 |
| Other receivables from non-exchange transactions | - | 1,260,882 | - | 1,260,882 |
| Cash and cash equivalents | 94,661,100 | - | - | 94,661,100 |
| VAT Receivable | - | 28,150,959 | - | 28,150,959 |
| | 101,979,759 | 57,397,468 | 100 | 159,377,327 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Long Term Loan | 7,621,717 | 7,621,717 |
| Trade and other payables from exchange transactions | 135,076,245 | 135,076,245 |
| Operating Lease Liability | 175,570 | 175,570 |
| Payables From Non Exchange Transactions | 378,373 | 378,373 |
| | 143,251,905 | 143,251,905 |

2017

Financial assets

| | At fair value | At amortised cost | At cost | Total |
|----------------------|---------------|-------------------|---------|-------|
| Unlisted Investments | - | - | 100 | 100 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | | | 2018 | 2017 |
|---|-------------------|-------------------|------------|-------------------|
| 40. Financial instruments disclosure (continued) | | | | |
| Long Term Investments | 6,615,159 | - | - | 6,615,159 |
| Long Term Receivables | - | 244,496 | - | 244,496 |
| Trade and other receivables from exchange transactions | - | 22,353,732 | - | 22,353,732 |
| Other receivables from non-exchange transactions | - | 1,053,251 | - | 1,053,251 |
| Cash and cash equivalents | 9,893,610 | - | - | 9,893,610 |
| VAT Receivable | 20,697,975 | - | - | 20,697,975 |
| | 37,206,744 | 23,651,479 | 100 | 60,858,323 |

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Finance Lease Obligation | 8,205,675 | 8,205,675 |
| Long Term Loan | 8,301,082 | 8,301,082 |
| Unspent Conditional Grants | 405,121 | 405,121 |
| Trade and other payables from exchange transactions | 179,679,317 | 179,679,317 |
| Operating lease liability | 121,696 | 121,696 |
| Payables from non exchange transactions | 370,458 | 370,458 |
| | 197,083,349 | 197,083,349 |

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | |
|---------------------------------|---------------|---------------|
| • Property, plant and equipment | 1,195,025,169 | 1,034,084,360 |
|---------------------------------|---------------|---------------|

Total capital commitments

| | | |
|---|---------------|---------------|
| Already contracted for but not provided for | 1,195,025,169 | 1,034,084,360 |
|---|---------------|---------------|

Operating leases - Buildings Expenses

Minimum lease payments due

| | | |
|-------------------------------------|------------------|------------------|
| - within one year | 327,067 | 300,451 |
| - in second to fifth year inclusive | 1,272,850 | 1,347,999 |
| - later than five years | 666,980 | 918,899 |
| | 2,266,897 | 2,567,349 |

Operating Leases Equipment

| | | |
|------------------------------|------------------|----------------|
| Within one year | 740,709 | 281,043 |
| In second year to fifth year | 617,258 | - |
| | 1,357,967 | 281,043 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|------------|------------|
| 42. Contingencies | | |
| Contingent Liabilities | 2018 | 2017 |
| In 2006 Malukazi Project Managers issued summons for services rendered in the sanitation programme | - | 1,914,259 |
| In 2008 summons were issued by Affinity Solutions (Pty) Ltd for services rendered. The municipality is defending the matter. A trial date is awaited. | - | 313,505 |
| In 2009 Z Mgwebi issued summons for damages emanating from failure to act by the municipality it being alleged the municipality failed to assist her together with her minor children to claim from the Provident fund. The matter is defended by the municipality. The matter is now in pleading stage | 1,200,000 | 1,200,000 |
| Makwazine vs ANDM In this matter summons were issued against the municipality for payment of the sum R115 000 for services rendered it being alleged that the service provider was appointed to render certain services. The matter is being defended. | 115,000 | 115,000 |
| During 2010 J and G Enterprises issued summons for financial damages it being alleged that the municipality stopped them from performing their contract. The matter is being defended by the municipality . The matter is in pleading stage | 1,541,600 | 1,541,600 |
| In 2010 Zolani Gulwa issued summons against the municipality for breach of contract of employment in that the municipality failed to pay him in terms of the contract. The municipality is defending the matter and it is pending in the high court. The matter is in pleading stage. | 566,189 | 566,189 |
| Sinezipho Urban and Rural Development claims against the municipality for alleged termination of contract. The municipality is defending the matter | 1,544,713 | 1,544,713 |
| ANDA was mandated by council to mobilise funding for ANDM water infrastructure project. ANDA then entered into an agreement with Gestalt. Gestalt has initiated legal proceedings against ANDM and ANDA. The ANDM legal team is disputing any and all Gestalt claim. The above is disclosed in the financial statements without prejudice. | 10,899,400 | 10,899,400 |
| During 2007 Jack Zulu issued summons against the municipality for specific performance, it being alleged that he was appointed by the municipality to render services at Umzimnkulu Area (previous dispensation) and the municipality failed to pay him in terms of the contract. The municipality denies that the services were rendered. Pleadings closed and a trial date is awaited. | 17,250 | 17,250 |
| During 2008 P Mabandla issued summons against the municipality for goods supplied and services rendered to the municipality at the latter's special instance and request. The municipality denies this. Pleadings closed and the trial date is awaited | 6,572 | 6,572 |
| In 2008 M J Phirimane issued summons against the municipality for services rendered. The municipality is defending the matter. A trial date is awaited. | 28,200 | 28,200 |
| Rob Potow irrigation issued summons against the municipality for failure to pay for material supplied in term of a verbal agreement. The municipality is defending the matter. The outcome is not certain at this stage. | 24,522 | 24,522 |
| Alleged failure to pay for a crawler sprinkler | 30,700 | 30,700 |
| Amangcuse Security and cleaning VS ANDM | 705,346 | 705,346 |
| Alleged non payment in lieu of supply and delivery of tents , toilets, and heaters etc. | 1,289,050 | 1,289,050 |
| Letter of demand received in lieu of specialist consultancy services rendered ANDM vs Moko Corporate | 375,927 | 375,927 |
| Ayanda Mafunda vs ANDM | 16,508 | 16,508 |
| ANDM vs Mafulo Investments | - | 200,000 |
| Supa Brick Tile vs ANDM | 127,782 | 127,782 |
| ANDM vs ANDMv Ronnies Motors | 250,000 | 250,000 |
| ANDM vs PDNA | 68,400 | 68,400 |
| ANDM vs Don Boti | 25,187 | 25,187 |
| Natal Joint Municipal Pension Fund vs ANDM | 147,937 | 147,937 |
| Eugene Nel and Anand Jayraj v ANDM | 2,990,117 | 2,990,117 |
| Sikhokele Maphukutha VS ANDM | 6,600,000 | 6,600,000 |
| Uvikela Security vs ANDM | 333,192 | 333,192 |
| ANDM vs Arule Security | 1,392,679 | 1,392,679 |
| ECDC vs ADNM | 114,240 | 114,240 |
| SKL Security Services vs ANDM | 686,619 | - |
| Ikamva Lolutsha vs ANDM | 40,072 | - |
| Hlumie Security vs ANDM | 577,500 | - |
| Sihlangane vs ANDM | 235,585 | - |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--------------------------------------|-------------------|-------------------|
| 42. Contingencies (continued) | | |
| ANDM vs Malukazi Investments | 1,914,259 | - |
| ANDM vs Affinity Solutions | 313,505 | - |
| ANDM vs Royal Hasking | 1,259,500 | - |
| | 35,437,551 | 32,838,275 |

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 47, civil proceedings have commenced against the employees concerned to recover an amount of R -. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

| | 2018 | 2017 |
|---------------------------------|------------------|--------------|
| ANDM vs Nontuthuzelo | 6,907 | - |
| ANDM vs Bulelani | 1,079 | - |
| ANDM vs Sinothando | 62,504 | - |
| ANDM vs MP Civils | 30,700 | - |
| ANDM vs Elvin Mkwado | 71,731 | - |
| ANDM vs Lulamile | 17,000 | - |
| ANDM vs Vukile | 21,322 | - |
| ANDM vs Thanduxolo | 84,328 | - |
| ANDM vs G N Sutu | 23,295 | - |
| ANDM vs Bulelwa Cleopatra Bidla | 726,534 | - |
| ANDM vs Nontethelo Gogela | 884,845 | - |
| ANDM vs N Magagu | 6,907 | 6,907 |
| ANDM vs Bmambi | 1,097 | 1,097 |
| | 1,938,249 | 8,004 |

43. Related parties

| Grant To ANDA | Grant Issued 2018 | Grant Issued 2017 | Closing balance |
|--|----------------------|----------------------|--------------------|
| Grant Issued | 17,676,097 | 19,580,694 | 37,256,791 |
| Compensation to accounting officer and other key management | | | |
| Short-term employee benefits | | 10,783,825 | 9,463,836 |
| Defined contribution plans | | 29,323,651 | 27,246,763 |
| | | 40,107,476 | 36,710,599 |

44. Prior period errors

Prior period has been amended to account for prior period errors

Below is a summary of the total effect that the prior errors, changes in accounting policies and reclassification of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual error with the amounts involved

The correction of the error(s) results in adjustments as follows:

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

2018

2017

44. Prior period errors (continued)

| Statement of Financial Performance for the year ended 2017 | Balance as previously reported | Change in Accounting policy | Prior period error | Reclassified | Restated Balance |
|--|--------------------------------|-----------------------------|--------------------|--------------|--------------------|
| Service charges | 14,745,947 | - | - | - | 14,745,947 |
| Rental of facilities | 433,587 | - | 21,310 | - | 454,897 |
| Agency services | 26,323 | - | - | - | 26,323 |
| Other income | 2,171,278 | - | - | - | 2,171,278 |
| Interest received - investment | 17,847,268 | - | - | - | 17,847,268 |
| Government grants and subsidies | 957,611,832 | - | - | - | 957,611,832 |
| Revenue Total | 992,836,235 | - | 21,310 | - | 992,857,545 |
| General Expenses | (135,577,790) | - | 276,966 | - | (135,300,824) |
| Employee Related Costs | (222,606,790) | - | - | - | (222,606,790) |
| Remuneration of Councillors | (8,804,757) | - | - | - | (8,804,757) |
| Litigation Expenditure | (2,817,114) | - | (45,553) | - | (2,862,667) |
| Debt Impairment | (6,032,348) | - | - | - | (6,032,348) |
| Depreciation and amortisation | (65,836,335) | - | (270,575) | - | (66,106,910) |
| Finance Costs | (2,518,719) | - | - | - | (2,518,719) |
| Repairs and maintenance | (67,992,282) | - | (2,248,551) | - | (70,240,833) |
| Bulk purchases | (6,447,742) | - | (32,647) | - | (6,480,389) |
| Contracted services | (47,530,932) | - | 848,054 | - | (46,682,878) |
| Transfers and subsidies | (93,197,406) | - | (8,038,275) | - | (101,235,681) |
| Gain or loss on disposal | (1,111,536) | - | (5,911) | - | (1,117,447) |
| Actuarial gains or loss | 184,738 | - | - | - | 184,738 |
| Operating leases | (2,794,513) | - | (23,235) | - | (2,817,748) |
| Surplus for the year | 329,752,709 | - | (9,518,417) | - | 320,234,292 |

| Statement of Financial Position as at 30 June 2017 | Balances as previously reported | Prior period errors | Reclassified | Restated Balance |
|--|---------------------------------|---------------------|--------------|----------------------|
| Inventories | 8,139,021 | - | - | 8,139,021 |
| Receivables from exchange transactions | 22,148,771 | 24,294 | - | 22,173,065 |
| Receivables from non- exchange transactions | 1,053,251 | - | - | 1,053,251 |
| VAT Receivable | 20,369,239 | 1,540,030 | - | 21,909,269 |
| Cash and cash equivalents | 9,893,610 | - | - | 9,893,610 |
| Property Plant and Equipment | 3,172,828,195 | 3,045,640 | - | 3,175,873,835 |
| Intangible Assets | 3,597,557 | (761,086) | - | 2,836,471 |
| Heritage Assets | 131,100 | - | - | 131,100 |
| Investments in Controlled Entities | 100 | - | - | 100 |
| Long term Receivables | 244,496 | - | - | 244,496 |
| Investments | 6,615,159 | - | - | 6,615,159 |
| Subtotal | 3,245,020,499 | 3,848,878 | - | 3,248,869,377 |
| Finance Lease Obligation | (8,205,675) | - | - | (8,205,675) |
| Operating lease | (121,696) | - | - | (121,696) |
| Payables from exchange transactions | (165,959,914) | (13,820,703) | - | (179,780,617) |
| Unspent Conditional Grants | (405,121) | - | - | (405,121) |
| Provisions | (1,097,790) | - | - | (1,097,790) |
| Current Portion of Long Term Loan | (892,645) | - | - | (892,645) |
| Payables from non exchange from transactions | (376,458) | - | - | (376,458) |
| Provisions | (6,086,462) | - | - | (6,086,462) |
| Long Term Loan | (7,408,437) | - | - | (7,408,437) |
| Opening Accumulated surplus | (2,724,713,592) | 453,410 | - | (2,724,260,182) |
| | 329,752,709 | (9,518,415) | - | 320,234,294 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|------|---------------|
| 44. Prior period errors (continued) | | |
| Statement of financial position | | |
| Other 1 | - | - |
| Accumulated Surplus | | |
| Writing off projects incorrectly capitalised | | 453,410 |
| Uploading assets previously not on asset register. | | (410,400) |
| | | 43,010 |

Alfred Nzo District Municipality

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44. Prior period errors (continued)

Statement of Financial Performance

Rental Income

A rental income adjustment of 21 310 was done so as to correct the underbilling of a tenant on one of the properties being let out by the municipality. This was due to the use of an old lease agreement on billing.

Litigation Expenses

A search for unrecorded liabilities was done to check the completeness of the municipalities liabilities as at 30 June 2017. The search revealed that some expenses had not been accrued as at 30 June 2017 and consequently the litigation expenses were adjusted by 45 000

Depreciation

Depreciation expense for the year ended 30 June 2017 was adjusted upwards by 270 575. Asset verification done by the municipality revealed that some assets had been recorded on the asset register and these were then added to the register as well as the depreciation for the year.

Repairs and maintenance

A number of invoices for repairs and maintenance had been left out on the accruals list of the year ended 30 June 2017. This was picked when the search for the unrecorded liabilities was done and these were duly added to the accruals list as well as the repairs maintenance. The total adjustment came to 2 248 551.

General expenses

General expenses were adjusted downwards by 321 894 as a result of correction of some expenses that had been duplicated.

Bulk purchases

Invoices for water purchases had been omitted from the accruals for the year. These were picked by the search for unrecorded liabilities. These total 32 647 and the bulk expenses were duly adjusted.

Some

Grants and subsidies

Invoices for contractors for the VIP projects had been left out of the accruals list for the year ended 30 June 2017. A search for unrecorded liabilities picked the anomaly and the subsequent correction resulted in the grants and subsidies going up by 8 038 275

Statement of Financial Position

Receivables from exchange transactions

Receivables from exchange transactions were adjusted upwards by 24 294 as a result of the adjustment of the property rental debtors. The tenant had been under billed owing to usage of an incorrect lease agreement.

VAT Receivable

VAT receivable was adjusted upwards by 1 540 030 following the recording of the input VAT on the previously unrecorded liabilities.

Property, plant & Equipment

Property plant and equipment was adjusted upward by 3 045 640 due to the recording of some movable assets which were discovered not to have been on the asset register as well as the recording of liabilities that had previously been omitted when accruals for 2017/18 were raised.

Payables from exchange transactions

Accruals

In the 2016-2017 financial year there were various misstatements to accruals as summarised below:

| <u>Description</u> | <u>Misstatement</u> |
|--------------------------------|---------------------|
| Accruals not raised completely | 20 021 634.71 |
| Invalid accruals | -6 200 931.71 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

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44. Prior period errors (continued)

Total **13 820 703**

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

| Financial instrument | 2018 | 2017 |
|--|-------------|-------------|
| Long term investments | 7,318,659 | 6,615,159 |
| Staff loans | 244,496 | 244,496 |
| Receivables from exchange transactions | 27,741,131 | 20,353,732 |
| Receivables from non exchange transactions | 1,260,882 | 1,053,251 |
| Cash and cash equivalents | 94,305,164 | 9,893,610 |
| VAT receivable | 28,150,959 | 20,697,975 |

Alfred Nzo District Municipality

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45. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is the risk that the fair value of future cashflows associated with a financial instruments will fluctuate in amount as a result of market interest changes.

Financial Assets and liabilities that are sensitive to interest rate risk are cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest risk consist mainly of fixed deposits investments, long term debtors, other debtors, short term investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investments operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterpart is managed by setting percentage exposure limits, which are included in the municipality's investments policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the council.

Consumer deposits comprise of a large number of rate payers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by levying of penalty charges, demand for payment, "restriction services and, as a last resort, " handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy

Long term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/impairment, where applicable

46. Unauthorised expenditure

| | | |
|----------------------------|--------------------|--------------------|
| Unauthorised expenditure | 339,988,434 | 306,497,280 |
| Current Year additions | 6,960,436 | 33,491,154 |
| Amount Ratified by Council | (33,491,154) | - |
| | 313,457,716 | 339,988,434 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

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| Figures in Rand | 2018 | 2017 |
|---|-------------------|-------------------|
| 47. Fruitless and wasteful expenditure | | |
| Fruitless and wasteful expenditure | 17,322,185 | 16,943,541 |
| Current Year Additions | 964,362 | 378,644 |
| Amount Written Off | (378,644) | - |
| | 17,907,903 | 17,322,185 |

Incident

| | | |
|---------------------------------|----------------|----------------|
| Interest Paid to Eskom | 40,670 | 81,066 |
| Interest Paid to Telkom | 2,420 | 5,669 |
| Interest Paid to Umngeni Water | - | 358 |
| SARS | 391,769 | - |
| DBSA arrear interest | - | 4,739 |
| National Health Laboratory | - | 536 |
| Natal Retirement | - | 363 |
| MCPF | - | 211 |
| Cape Joint | - | 727 |
| Pension | - | 74 |
| Acting Allowance - N R Xolo | - | 79,631 |
| Acting Allowance - M Matubatuba | - | 205,270 |
| Zilane Attorney | 65,942 | - |
| Acting allowance- B Ngomani | 352,839 | - |
| Acting Allowance Y Tantsi | 107,000 | - |
| Auditor General | 3,722 | - |
| | 964,362 | 378,644 |

Of the 964 362 fruitless and wasteful expenditure incurred, 434 859 was submitted to council for write off during the year. Council has forwarded the same to MPAC for investigation.

48. Irregular expenditure

| | | |
|---|--------------------|----------------------|
| Opening balance | 1,013,592,420 | 687,565,528 |
| Add: Irregular Expenditure - current year | 201,887,944 | 326,026,892 |
| Less: Amounts Written Off by Council | (222,306,641) | - |
| | 993,173,723 | 1,013,592,420 |

During the year 222 306 641 of irregular expenditure was written off by council while the remainder has been forwarded by council to MPAC for investigation.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA fees)

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2,634,837 | 1,665,994 |
| Amount paid - current year | (2,634,837) | (1,665,994) |
| | - | - |

Audit fees

| | | |
|---------------------------------|-------------|------------------|
| Current year subscription / fee | 8,624,692 | 7,624,201 |
| Amount paid - current year | (8,624,692) | (5,970,410) |
| | - | 1,653,791 |

Alfred Nzo District Municipality

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

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

PAYE and UIF

| | | |
|---------------------------------|--------------|--------------|
| Opening balance | - | 1,998,606 |
| Current year subscription / fee | 19,303,527 | 34,223,397 |
| Amount paid - current year | (19,303,527) | (36,222,003) |
| | - | - |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Opening balance | - | 2,552,400 |
| Current year subscription / fee | 16,425,771 | 33,024,656 |
| Amount paid - current year | (16,425,771) | (35,577,056) |
| | - | - |

VAT

| | | |
|----------------|------------|------------|
| VAT receivable | 28,150,959 | 20,697,975 |
|----------------|------------|------------|

VAT output payables and VAT input receivables are shown in note 14.

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

Deviations Authorised

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

| | | |
|--|----------------|----------|
| Alfred Nzo Community Radio- Unable to obtain 3 quotes | 7,000 | - |
| Alfred Nzo Community Radio- Unable to obtain 3 quotes | 10,000 | - |
| Alfred Nzo Community Radio- Unable to obtain 3 quotes | 26,000 | - |
| Inkonjane Community Radio- Unable to obtain 3 quotes | 29,000 | - |
| Inkonjane Community Radio- Unable to obtain 3 quotes | 10,000 | - |
| Inkonjane Community Radio- Unable to obtain 3 quotes | 7,000 | - |
| Inkonjane Community Radio- Unable to obtain 3 quotes | 29,000 | - |
| Inkonjane Community Radio- Unable to obtain 3 quotes | 25,872 | - |
| Alfred Nzo Community Radio- Unable to obtain 3 quotes | 26,000 | - |
| Alfred Nzo Community Radio- Unable to obtain 3 quotes | 29,000 | - |
| Thompson Motors - Unable to obtain 3 quotes | 147,218 | - |
| NMI DUrban t/a Union Motors- request for a major service for fire engine | 33,125 | - |
| Government printing works- Gazetting of ANDM Council rule of order | 41,000 | - |
| | 420,215 | - |