Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements
for the year ended 30 June 2017

General Information

Grading of local authority	Grade 3
Accounting Officer	NE Mbende (Acting) BK Socikwa (End of contract - 30 June 2017)
Chief Finance Officer (CFO)	N Nokwe (Acting)
Registered office	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor-General South Africa
Mayoral Committee	P Qaba (Mayor) X Mngxaso (Exco) NC Nongqayi (Exco) N Busika (Exco) N Monti (Exco) T Balindlela (Exco)
Ward Councillors	NP Mlahleki (Speaker) S Malawu (MPAC chair) NA Kato-Manyika N Pose N Monti A Hobo RB Pickering N Ngxakangxaka GD Mxosa T Ngxingxolo P Ntwanambi D Mzili DS Gxekwa MN Ngcofe M Mjikelo EN Brukwe XM Tokwe NP Jikazayo X Nqata M Nqini VW Tshaka SG Venkile RT Desi GP Noxeke NA Mtati

General Information

Traditional leaders	AE Daka SN Mdledle NG Mekuto Z Ngudle K Sandile N Sandile

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

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
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

N E Mbende
Acting accounting officer

Statement of Financial Position as at 30 June 2017

	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	1,368,347	1,023,427
Consumer debtors and other debtors	4	11,893,979	10,700,528
Receivables from non-exchange transactions	5	3,787,624	2,725,786
VAT receivable	6	3,968,304	3,114,199
Short term portion of long term receivables	7	138,722	144,436
Cash and cash equivalents	8	72,049,611	105,825,424
		93,206,587	**123,533,800**
Non-Current Assets			
Biological assets (Plantation)	9	1,358,970	4,931,102
Investment property	10	55,001,082	56,815,964
Property, plant and equipment	11	395,443,961	442,258,442
Intangible assets	12	1,569,609	780,017
Heritage assets	13	610,183	610,183
Long term receivables	7	217,368	354,942
		454,201,173	**505,750,650**
Non-Current Assets		454,201,173	505,750,650
Current Assets		93,206,587	123,533,800
Total Assets		**547,407,760**	**629,284,450**
Liabilities			
Current Liabilities			
Finance lease obligation	14	211,882	14,611,927
Payables from exchange transactions	15	25,722,341	10,606,598
Consumer deposits	16	1,765,529	428,820
Employee benefit obligation	17	12,826,442	9,624,529
Unspent conditional grants and receipts	18	1,673,566	5,165,730
Provisions	19	830,021	4,517,580
		43,029,781	**44,955,184**
Non-Current Liabilities			
Finance lease obligation	14	60,184	250,164
Employee benefit obligation	17	36,471,718	33,422,718
Provisions	19	404,176	393,480
		36,936,078	**34,066,362**
Non-Current Liabilities		36,936,078	34,066,362
Current Liabilities		43,029,781	44,955,184
Total Liabilities		**79,965,859**	**79,021,546**
Assets		547,407,760	629,284,450
Liabilities		(79,965,859)	(79,021,546)
Net Assets		**467,441,901**	**550,262,904**
Accumulated surplus		467,441,901	550,262,904

Statement of Financial Performance

	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	38,005,716	42,149,747
Rental of facilities and equipment		826,666	1,001,560
Interest received - debtors		2,302,179	2,174,539
Other revenue		502,711	818,539
Interest received - investment	21	8,441,923	9,422,299
Total revenue from exchange transactions		**50,079,195**	**55,566,684**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	14,013,298	15,840,640
Transfer revenue			
Government grants and subsidies	23	146,621,652	166,132,862
Public contributions and donations		-	398,507
Fines, Penalties and Forfeits		171,680	238,876
Motor vehicle registrations		3,051,706	3,218,972
Total revenue from non-exchange transactions		**163,858,336**	**185,829,857**
		50,079,195	55,566,684
Revenue from non exchange transactions		163,858,336	185,829,857
Total revenue		**213,937,531**	**241,396,541**
Expenditure			
Employee related costs	24	(112,135,015)	(75,493,044)
Remuneration of councillors	25	(11,561,289)	(13,849,345)
Vending management fee	26	(545,185)	(504,420)
Depreciation and amortisation	27	(29,037,532)	(28,845,440)
Impairment loss on non-current assets		(1,304,752)	(67,420)
Finance costs	28	(2,506,888)	(16,369,510)
Rentals - Printing machines		(193,757)	(228,648)
Debt Impairment	29	(7,916,439)	(11,739,160)
Leave pay provision		(1,654,652)	(153,725)
Repairs and maintenance	30	(6,935,146)	(6,942,506)
Bulk purchases	31	(26,164,717)	(24,312,805)
General expenses	32	(53,671,044)	(54,852,145)
Total expenditure		**(253,626,416)**	**(233,358,168)**
		-	-
Total revenue		213,937,531	241,396,541
Total expenditure		(253,626,416)	(233,358,168)
Operating deficit/Surplus		**(39,688,885)**	**8,038,373**
Loss on disposal of assets		(42,488,224)	(1,784,212)
Fair value gain on biological assets		542,667	-
Loss on disposal of biological assets and agricultural produce		(1,186,561)	-
		(43,132,118)	**(1,784,212)**
Operating deficit		(43,132,118)	(1,784,212)
(Deficit) surplus before taxation		(82,821,003)	6,254,161
Taxation		-	-
(Deficit) / Surplus for the period		**(82,821,003)**	**6,254,161**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	522,456,525	522,456,525
Adjustments		
Prior year adjustments (refer to note 45)	21,552,218	21,552,218
Restated*Balance at 30 June 2015	**544,008,743**	**544,008,743**
Changes in net assets		
Deficit for the period	6,254,161	6,254,161
Total changes	6,254,161	6,254,161
Restated* Balance at 30 June 2016	**550,262,904**	**550,262,904**
Changes in net assets		
Deficit for the period	(82,821,003)	(82,821,003)
Total changes	(82,821,003)	(82,821,003)
Balance at 30 June 2017	**467,441,901**	**467,441,901**

Cash Flow Statement

	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		47,848,135	53,460,588
Grants		146,621,652	166,132,862
Interest income		8,441,923	9,422,299
		202,911,710	229,015,749
Payments			
Employee costs		(117,445,396)	(86,038,445)
Suppliers		(80,225,996)	(98,547,471)
Finance costs		(2,506,888)	(16,369,510)
		(200,178,280)	(200,955,426)
Total receipts		202,911,710	229,015,749
Total payments		(200,178,280)	(200,955,426)
Net cash flows from operating activities	34	**2,733,430**	**28,060,323**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(34,776,114)	(36,237,413)
Proceeds from sale of property, plant and equipment			358,880
Proceeds from sale of investment property		-	42,314
Purchase of other intangible assets		(1,069,111)	(354,309)
Proceeds from sale of other intangible assets		-	3,674
Proceeds from sale of biological assets (plantation)		2,928,238	-
Decrease in long term receivables		143,288	162,240
Net cash flows from investing activities		**(32,773,699)**	**(36,024,614)**
Cash flows from financing activities			
Finance lease payments		(3,735,542)	(15,238,496)
Net decrease in cash and cash equivalents		**(33,775,811)**	**(23,202,787)**
Cash and cash equivalents at the beginning of the year		105,825,424	129,028,210
Cash and cash equivalents at the end of the year	8	**72,049,611**	**105,825,423**

Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	44,407,920	4,647,080	**49,055,000**	38,005,716	**(11,049,284)**	FinPerf 1
Rental of facilities and equipment	1,159,000	(208,000)	**951,000**	826,666	**(124,334)**	R
Investment revenue	2,798,753	(298,753)	**2,500,000**	2,302,179	**(197,821)**	R
Miscellaneous other revenue	41,462,784	2,777,901	**44,240,685**	502,711	**(43,737,974)**	FinPerf2
Interest received - investment	8,000,000	300,000	**8,300,000**	8,441,923	**141,923**	R
Total revenue from exchange transactions	**97,828,457**	**7,218,228**	**105,046,685**	**50,079,195**	**(54,967,490)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17,600,000	(1,718,000)	**15,882,000**	14,013,298	**(1,868,702)**	FinPerf3
Transfer revenue						
Government grants and subsidies	154,014,000	(6,012,046)	**148,001,954**	146,621,652	**(1,380,302)**	FinPerf4
Fines, Penalties and Forfeits	82,000	(31,500)	**50,500**	171,680	**121,180**	R
Motor vehicle registrations	3,769,000	81,000	**3,850,000**	3,051,706	**(798,294)**	FinPerf5
Total revenue from non-exchange transactions	**175,465,000**	**(7,680,546)**	**167,784,454**	**163,858,336**	**(3,926,118)**	
'Total revenue from exchange transactions'	97,828,457	7,218,228	**105,046,685**	50,079,195	**(54,967,490)**	
'Total revenue from non-exchange transactions'	175,465,000	(7,680,546)	**167,784,454**	163,858,336	**(3,926,118)**	
Total revenue	**273,293,457**	**(462,318)**	**272,831,139**	**213,937,531**	**(58,893,608)**	
Expenditure						
Employee related costs	(95,316,309)	(8,436,048)	**(103,752,357)**	(112,135,015)	**(8,382,658)**	FinPerf6
Remuneration of councillors	(13,605,220)	1,157,981	**(12,447,239)**	(11,561,289)	**885,950**	FinPerf7
Depreciation and amortisation	(30,000,000)	-	**(30,000,000)**	(29,037,532)	**962,468**	FinPerf8
Debt impairment	(5,000,000)	-	**(5,000,000)**	(7,916,439)	**(2,916,439)**	FinPerf9
Finance costs	(15,000,000)	10,000,000	**(5,000,000)**	(2,506,888)	**2,493,112**	FinPerf10
Contracted services	(2,795,363)	12,500	**(2,782,863)**	(3,506,210)	**(723,347)**	FinPerf11
Bulk purchases	(25,000,000)	(3,000,000)	**(28,000,000)**	(26,164,717)	**1,835,283**	FinPerf12
Other expenditure	(45,446,915)	(2,607,747)	**(48,054,662)**	(60,798,326)	**(12,743,664)**	FinPerf13
Total expenditure	**(232,163,807)**	**(2,873,314)**	**(235,037,121)**	**(253,626,416)**	**(18,589,295)**	
	273,293,457	(462,318)	**272,831,139**	213,937,531	**(58,893,608)**	
	(232,163,807)	(2,873,314)	**(235,037,121)**	(253,626,416)	**(18,589,295)**	
Operating deficit	**41,129,650**	**(3,335,632)**	**37,794,018**	**(39,688,885)**	**(77,482,903)**	
Loss on disposal of assets and liabilities	-	-	**-**	(42,488,224)	**(42,488,224)**	FinPerf14
Fair value gain on biological assets	-	-	**-**	542,667	**542,667**	R

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on biological assets and agricultural produce	-	-	**-**	(1,186,561)	**(1,186,561)**	R
	-	**-**	**-**	**(43,132,118)**	**(43,132,118)**	
	41,129,650	(3,335,632)	**37,794,018**	(39,688,885)	**(77,482,903)**	
	-	-	**-**	(43,132,118)	**(43,132,118)**	
Deficit	**41,129,650**	**(3,335,632)**	**37,794,018**	**(82,821,003)**	**(120,615,021)**	
Surplus before taxation	41,129,650	(3,335,632)	**37,794,018**	(82,821,003)	**(120,615,021)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**41,129,650**	**(3,335,632)**	**37,794,018**	**(82,821,003)**	**(120,615,021)**	

Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,068,998	(45,571)	**1,023,427**	1,368,347	**344,920**	FinPos1
Consumer debtors and other debtors	16,831,415	(6,130,792)	**10,700,623**	19,649,907	**8,949,284**	FinPos2
Short term portion of long term receivables	73,045	71,391	**144,436**	138,722	**(5,714)**	R
Cash and cash equivalents	147,380,743	(42,162,685)	**105,218,058**	72,049,611	**(33,168,447)**	FinPos3
	165,354,201	**(48,267,657)**	**117,086,544**	**93,206,587**	**(23,879,957)**	
Non-Current Assets						
Biological assets (Plantation)	610,183	4,320,919	**4,931,102**	1,358,970	**(3,572,132)**	FinPos4
Investment property	55,473,917	1,692,498	**57,166,415**	55,001,082	**(2,165,333)**	FinPos5
Property, plant and equipment	412,428,384	4,073,501	**416,501,885**	395,443,960	**(21,057,925)**	FinPos6
Intangible assets	991,586	(232,630)	**758,956**	1,569,609	**810,653**	R
Heritage assets	-	610,183	**610,183**	610,183	**-**	
Long term receivables	499,378	(144,436)	**354,942**	217,368	**(137,574)**	R
	470,003,448	**10,320,035**	**480,323,483**	**454,201,172**	**(26,122,311)**	
Non-Current Assets	165,354,201	(48,267,657)	**117,086,544**	93,206,587	**(23,879,957)**	
Current Assets	470,003,448	10,320,035	**480,323,483**	454,201,172	**(26,122,311)**	
Total Assets	**635,357,649**	**(37,947,622)**	**597,410,027**	**547,407,759**	**(50,002,268)**	
Liabilities						
Current Liabilities						
Finance lease obligation	20,680,713	(6,068,786)	**14,611,927**	211,882	**(14,400,045)**	FinPos7
Payables from exchange transactions	29,731,737	(15,731,737)	**14,000,000**	25,722,335	**11,722,335**	FinPos8
Consumer deposits	504,080	(75,260)	**428,820**	1,765,529	**1,336,709**	R
Employee benefit obligation	-	-	**-**	12,826,442	**12,826,442**	FinPos9
Unspent conditional grants and receipts	-	5,000,000	**5,000,000**	1,673,566	**(3,326,434)**	R
Provisions	8,121,693	(2,621,693)	**5,500,000**	830,021	**(4,669,979)**	R
	59,038,223	**(19,497,476)**	**39,540,747**	**43,029,775**	**3,489,028**	
Non-Current Liabilities						
Finance lease obligation	2,567,195	(2,317,031)	**250,164**	60,184	**(189,980)**	R
Employee benefit obligation	-	33,422,718	**33,422,718**	36,471,718	**3,049,000**	FinPos10
Provisions	29,921,811	(29,528,331)	**393,480**	404,176	**10,696**	R
	32,489,006	**1,577,356**	**34,066,362**	**36,936,078**	**2,869,716**	
	59,038,223	(19,497,476)	**39,540,747**	43,029,775	**3,489,028**	
	32,489,006	1,577,356	**34,066,362**	36,936,078	**2,869,716**	
	-	-	**-**	-	**-**	
Total Liabilities	**91,527,229**	**(17,920,120)**	**73,607,109**	**79,965,853**	**6,358,744**	
Assets	635,357,649	(37,947,622)	**597,410,027**	547,407,759	**(50,002,268)**	
Liabilities	(91,527,229)	17,920,120	**(73,607,109)**	(79,965,853)	**(6,358,744)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**543,830,420**	**(20,027,502)**	**523,802,918**	**467,441,906**	**(56,361,012)**	
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	543,830,420	(20,027,502)	**523,802,918**	467,441,906	**(56,361,012)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	108,480,704	5,548,416	**114,029,120**	47,206,682	**(66,822,438)**	C1
Grants	154,014,000	(6,012,046)	**148,001,954**	146,699,522	**(1,302,432)**	C2
Interest income	10,798,753	1,000	**10,799,753**	8,441,923	**(2,357,830)**	C3
	273,293,457	**(462,630)**	**272,830,827**	**202,348,127**	**(70,482,700)**	
Payments						
Suppliers and employees	(217,163,807)	(12,988,000)	**(230,151,807)**	(195,477,015)	**34,674,792**	C4
Finance costs	(15,000,000)	10,000,000	**(5,000,000)**	(2,187,639)	**2,812,361**	C5
	(232,163,807)	**(2,988,000)**	**(235,151,807)**	**(197,664,654)**	**37,487,153**	
Total receipts	273,293,457	(462,630)	**272,830,827**	202,348,127	**(70,482,700)**	
Total payments	(232,163,807)	(2,988,000)	**(235,151,807)**	(197,664,654)	**37,487,153**	
Net cash flows from operating activities	**41,129,650**	**(3,450,630)**	**37,679,020**	**4,683,473**	**(32,995,547)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(41,129,650)	3,335,627	**(37,794,023)**	(34,538,520)	**3,255,503**	C6
Purchase of other intangible assets	-	-	**-**	(1,069,111)	**(1,069,111)**	C6
Proceeds from sale of other biological assets (plantation)	-	-	**-**	2,928,238	**2,928,238**	C6
Decrease in long term receivables	-	-	**-**	143,288	**143,288**	R
Net cash flows from investing activities	**(41,129,650)**	**3,335,627**	**(37,794,023)**	**(32,536,105)**	**5,257,918**	
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(5,923,181)	**(5,923,181)**	C8
Net increase/(decrease) in cash and cash equivalents	-	(115,003)	**(115,003)**	(33,775,813)	**(33,660,810)**	
Cash and cash equivalents at the beginning of the year	147,380,743	-	**147,380,743**	105,825,424	**(41,555,319)**	
Cash and cash equivalents at the end of the year	**147,380,743**	**(115,003)**	**147,265,740**	**72,049,611**	**(75,216,129)**	

Accounting Policies

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of 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.

These accounting policies are consistent with the previous period, unless specified otherwise.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards

Standards Issued and Effective

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of Changes in Foreign Exchange Rates
- GRAP 5 - Borrowing Costs
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interests in Joint Ventures
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 27 - Agriculture (Replaces GRAP101) (as revised 2012)
- GRAP 31 - Intangible Assets (replace GRAP 102)
- GRAP 100 - Discontinued Operations (as revised in 2010)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of Functions between Entities under Common Control
- GRAP 106 - Transfer of Functions between Entities not under Common Control
- GRAP 107 - Mergers

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt

- GRAP 20 - Related Party Disclosures
- GRAP 32 - Service Concession Arrangements: Grantor
- GRAP 34 - Separate Financial Statements
- GRAP 35 - Consolidated Financial Statements
- GRAP 36 - Investments in Joint Ventures and Associates
- GRAP 37- Joint arrangements
- GRAP 38- Disclosure of Interests in Other Entities
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by principals and agents
- GRAP 110 - Living and non-living resources

Accounting Policies

Interpretations Issued and Effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distribution of Non-Cash Assets to Owner
- IGRAP 10 - Assets received from Customers
- IGRAP 11 - Consolidated Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities: Non-Monetary Contributions
- IGRAP 13 - Operating leases - Incentives
- IGRAP 14 - Evaluation the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Including Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Interpretations Issued, Future Effective Date - can base accounting policy on, or early adopt

- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18 - Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with South African Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. These include:

Trade receivables and other receivables

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Employee benefit obligation

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Employee Benefit Obligation note 17 to the financial statements.

Effective interest method

The Municipality makes use of government bond rate to discount future cash flows in the event of it being material.

1.4 Biological assets (Plantation)

A biological asset is a living animal or plant. The Municipality has biological assets in the form of trees in a plantation forest.

Agricultural produce is the harvested product of the Municipality's biological assets, which is the felled trees during the harvest.

Agricultural activity is the management by the municipality of the biological transformation and harvest of biological assets for:

- sale;
- distribution at no charge or for a nominal charge; or
- conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

The municipality recognises biological assets (plantation) or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

The municipality's biological assets (plantation) consists of only the pine plantations, as the gum trees and wattle within the forest do not form part of the municipality's agricultural activities. The municipality does not perform any agricultural activities for the the gum trees and wattle due to the nature and manner of the growth of these trees.

Biological assets (plantation) are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the fair value of the pine trees.

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

A gain or loss arising on initial recognition of biological assets (plantation) at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets (plantation) is included in surplus or deficit for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets (plantation) is included in surplus or deficit for the period in which it arises.

The municipality discloses the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

1.5 Investment property (continued)

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

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

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

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

The cost of self-constructed investment property is the cost at the date of completion.

The following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for currently undetermined future use. If the Municipality has not determined that it will use the land as owner-occupied property, or for a short term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the Municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, Plant and Equipment:

- Property held for sale in the ordinary course of operations;
- Properly being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as Investment Property;
- Property that is leased out under a finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and or service delivery.

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

Property interest held under operating leases are classified and accounted for as investment property if property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied and from property held for sale is established by using criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance.

1.5 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 - 30 years
Roads and Paving	10 - 80 years
Air-conditioners	10 - 15 years
Other components	5 - 50 years

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

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

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the investment property.

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

1.6 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.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Useful life
Infrastructure	Straight line	
• Roads and paving		10 - 80 years
• Cemeteries		25 - 30 years
• Airports		25 - 30 years
• Housing		Not depreciated
Community	Straight line	
• Capital work in progress		Not depreciated
• Land		Not depreciated
• Electricity		10 - 60 years
• Solid Waste Disposal		15 - 40 years
Other	Straight line	
• Buildings		25 - 30 years
• Machinery and equipment		4 - 15 years
• Computer equipment		3 - 5 years
• Furniture and office equipment		5 - 7 years
• Transport assets		4 - 7 years
• Leased plant and office equipment		3 - 15 years
• Buildings airconditioning system		10 - 15 years

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Self Constructed Assets

Self-constructed assets relate to all assets constructed by the municipality itself.

All self-constructed assets should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work-in-progress shall be flagged as such in the asset register until such time that the asset is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in condition necessary to operate in the manner intended by management.

Self-constructed assets are measured at cost.

Included in the cost of self-constructed assets are all the costs associated with the construction of the assets.

The following costs are excluded from the cost of self-constructed assets:
- Depreciation of assets involved in the construction; and
- Borrowing costs (Refer to accounting policy for Borrowing Costs 1.19).

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under a finance lease are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety that the Municipality will obtain ownership by the end of the lease term.

Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment assets

The carrying amount of an item of property, plant equipment is derecognised on disposal, or when no future economic benefits or service potential are expected to flow from its use or disposal.

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. Gains are not included in revenue. These are included in other income.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the statement of financial performance as a gain or loss on disposal of property, plant and equipment.

1.7 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.

Accounting Policies

1.7 Intangible assets (continued)

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.

Intangible assets are initially recognised at cost.

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.

Subsequent to initial measurement 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.

Intangible assets are assessed annually for impairment, with any reduction in the carrying amount reflected through the surplus or deficit in the period incurred.

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.

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

Item	**Useful life**
Computer software, other	2 - 5 years

Intangible assets are derecognised:
- 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 an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Heritage assets

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 annual financial statements.

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

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.

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).

1.9 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.

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.

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

1.9 Financial instruments (continued)

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 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.

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

1.9 Financial instruments (continued)

Classification

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

Class	Category
Trade and other receivables from exchange transaction	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Bank and cash	Financial asset measured at amortised cost

The municipality 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
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement

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

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Reclassification

The municipality 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.

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

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

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.

1.10 Leases

The Municipality as a Lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Accounting Policies

1.10 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevant lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease if it is practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

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.

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.

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.

1.11 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.

Inventories relating to harvest are initially measured at the fair value, during reclassification to inventory, from biological assets.

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.

1.11 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.

Subsequent to initial measurement:

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost or current replacement cost.

Redundant and slow moving inventory items are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values and sold at public realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the period in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period in which the is sold, utilised or written off unless it qualifies for capitalisation to the cost of an asset.

Current replacement cost is the cost to replace the item at the current reporting date.

The cost of inventories comprises all costs of purchase, conversion and other costs necessary to bring the item to their present location and condition. Where inventory is manufactured, constructed or produced the cost includes the cost of labour, material and overheads used during the manufacturing process.

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

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

Recoverable 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:

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, the asset is impaired.

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

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

Value in use

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

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

Recognition and measurement (individual assets)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (cash-generating units)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

Accounting Policies

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

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

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement of non-cash generating units

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

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

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.

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.

1.14 Employee benefits (continued)

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 measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

Accounting Policies

1.14 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.

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.

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 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 requiremen

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

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

The entity 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.

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.

Accounting Policies

1.14 Employee benefits (continued)

Other post retirement obligations

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

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

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

The 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.

1.15 Provisions

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.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Accounting Policies

1.15 Provisions (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 1.12 and 1.13.

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.

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

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 services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Finance Income

Interest earned on investments is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorising tariff. This includes the issue of licenses and permits.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Income from Agency Services

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

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial period a straight-line basis is used.

1.17 Revenue from non-exchange transactions

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

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

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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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.

Rates, including collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time apportionment basis with reference to the principle amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed.

Rebates are granted to certain categories of ratepayers and are deducted from the revenue.

Transfers

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

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

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as revenue.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Public Contributions

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not yet been met, a liability is recognised.

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts basis or where the donation is in the form of; property, plant and equipment, investment property, biological asset, heritage assets, when such items are available for use..

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the period in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest, it is recognised as interest earned in the statement of finanperformance in the period in which it is received.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

- the amount of revenue can be measured reliably; and;

- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The Municipality transfers money to individuals or organisations and other sectors of government from time to time, when

making these transfers the municipality does not.

- receive goods or services in return as would be expected in a purchase or sale transaction;

- expect to be repaid in future; and

- expect a financial return as would be expected from an investment.

1.18 Investment income

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

1.19 Borrowing costs

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

The alternative treatment, as allowed by the Borrowing Costs standard (GRAP 5), to expense Borrowing Costs has been selected by the Municipality.

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

1.20 Comparative figures

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

1.21 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.
  expenditure not in terms of the conditions of the allocation from another sphere of Government, Municipality or Organ of State and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003).

Accounting Policies

1.21 Unauthorised expenditure (continued)

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.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is no certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 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.

If the expenditure is not subsequently certified as irrecoverable by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998), or is in contravention of the municipality's supply chain management policies.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by Council it is treated as an asset until it is recovered or written off.

1.24 Revenue from recovery of Unauthorised,Irregular,Fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible Councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Conditional grants and receipts

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

1.27 Budget information

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

1.27 Budget information (continued)

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

1.28 Related parties

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

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

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

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

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

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

1.30 Change in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note 45 to the financial statements where applicabl

1.31 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

Accounting Policies

1.31 Commitments (continued)

At the end of each financial period the Municipality determines commitments is respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note 36 to the financial statements.

1.32 Contingent Assets and Contingent Liabilities

The municipality does not recognise contingent liabilities or contingent assets, but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable. Contingent assets and contingent liabilities are disclosed in note 37.

1.33 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the Municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the Municipality would a recognise a payable for VAT.

The Municipality accounts for VAT on a payments basis.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any new standards and interpretations as there are none effective in the current financial year.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	effective date not yet established	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	effective date not yet established	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	effective date not yet established	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	effective date not yet established	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	effective date not yet established	effective date not yet established
• GRAP 110: Living and Non-living Resources	effective date not yet established	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	The impact of the amendment is not material
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	The impact of the amendment is not material
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material
• GRAP 20: Related parties	01 April 2017	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the amendmens is not material
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the amendment is not material
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements.
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	The impact of the amendment is not material

Notes to the Annual Financial Statements

	2017	2016

3. Inventories

Electricity	1,303,074	975,582
Rates and general	65,273	47,845
	1,368,347	**1,023,427**

3.1 Non - Financial information

Electricity inventories recognised as an expense during the period	218,947	190,103
Rates and general inventories recognised as an expense during the period	259,919	278,926

Included in the inventory balances above are the following types of inventory:

Electricity
Electrical sockets, transformers, plugs, meter boxes and other smaller items.

Rates and general
Cleaning materials, staff refreshments (coffee, tea, milk etc.), stationery, fuel and other smaller items.

Inventory pledged as security

None of the inventory was pledged as security during the period.

4. Consumer debtors and other debtors

Other debtors	3,023,810	3,795,518
Consumer debtors - Electricity	6,137,508	5,195,431
Consumer debtors - Impairment exchange debtors	(13,717,297)	(10,655,128)
Consumer debtors - Refuse	14,517,399	11,085,597
Consumer debtors - Sundry Debtors	1,932,559	1,279,110
	11,893,979	**10,700,528**

Credit quality of trade and other receivables

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:

Notes to the Annual Financial Statements

	2017	2016

4. Consumer debtors and other debtors (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 6,174,386 - (2016: 6,139,675) were past due but not impaired.

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

1 month past due	3,359,106	3,275,877
2 months past due	1,577,790	1,915,481
3 months past due	1,237,490	948,317

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 23,099,748 - (2016: 17,560,138) were impaired and provided for.

The amount of the provision was R 13,717,297 as of 30 June 2017 (2016: 10,655,128).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	10,655,128	26,724,255
Provision for impairment	3,212,083	3,815,499
Amounts written off as uncollectible	(149,914)	(19,884,626)
	13,717,297	**10,655,128**

5. Receivables from non-exchange transactions

Fines	798,830	680,230
Fines - Impairment non-exchange debtors	(798,830)	(680,230)
Consumer debtors - Rates	17,965,780	14,477,470
Consumer debtors - Impairment non-exchange debtors	(14,178,156)	(11,751,684)
	3,787,624	**2,725,786**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions 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:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R2,869,545 (2016: 3,238,369) were past due but not impaired.

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

1 month past due	1,205,096	1,130,328
2 months past due	894,908	917,958
3 months past due	769,542	1,190,084

Notes to the Annual Financial Statements

	2017	2016

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R18,033,019 (2016: 14,477,470) were impaired and provided for.

The amount of the provision was R 14,178,156 as of 30 June 2017 (2016: 11,751,684).

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2017	2016
Opening balance	11,751,684	13,834,828
Provision for impairment	4,585,756	7,471,962
Amounts written off as uncollectible	(2,159,284)	(9,555,106)
	14,178,156	**11,751,684**

6. VAT receivable

	2017	2016
VAT	3,968,304	3,114,199

7. Long term receivables

	2017	2016
Cost of HT Lines	356,090	499,378
Less: Short term portion of HT Lines	(138,722)	(144,436)
	217,368	**354,942**

The cost of HT lines comprise trade debtors and interest is charged at 6% per annum.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	6,516	6,116
Bank balances	63,587,827	96,911,942
Investments	8,455,268	8,907,366
	72,049,611	**105,825,424**

Special terms and conditions - investments

Funds invested relate to call and fixed deposit accounts which earn a return of between 5% and 7%. Investments in fixed deposits do not exceed a term of three months and are either reinvested or utilised at the end of the three month term.

Fund are invested according to National Treasury municipal investment regulations dated 1st April 2005 on Gazette no. 27341 which set out a framework within which all municipalities shall conduct their cash management and investments.

	2017	2016

8. Cash and cash equivalents (continued)

Cash and cash equivalents guarantees

The Municipality has a contingent facility of R 8,435,800 (2016: R 8,435,800) relating to bank and cash balances as follows:

	2017	2016
Guarantee for Department of Minerals and Energy	73,700	73,700
New Eskom Guarantee		
Guarantee for Eskom	8,362,100	8,362,100
Terms and conditions		

The municipality had the following bank accounts

	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
First National Bank Cheque Account (Primary bank account): 53813535227	59,468,150	93,399,789	123,335,937	59,444,424	93,400,443	110,831,078
First National Bank Current Account: 62116156987	2,578,099	3,445,456	18,871,277	2,578,099	3,445,456	15,103,803
First National Bank Call Account: 62135193770	1,565,304	66,043	2,621,895	1,565,304	66,043	2,621,895
First National Bank Account - 62063171351	241,561	232,567	225,214	241,561	232,567	225,214
First National Bank - 61381739619	616,214	1,074,799	240,104	616,214	1,074,799	240,104
First National Bank - 74568809858	7,597,493	7,600,000	-	7,597,493	7,600,000	-
Total	**72,066,821**	**105,818,654**	**145,294,427**	**72,043,095**	**105,819,308**	**129,022,094**

9. Biological assets (Plantation)

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	1,358,970	-	1,358,970	4,931,102	-	4,931,102

Reconciliation of biological assets (plantation) - 2017

	Opening balance	Decrease due to harvest	Revaluation surplus	Total
Trees in a plantation forest	4,931,102	(4,114,799)	542,667	1,358,970

Reconciliation of biological assets (plantation) - 2016

	Opening balance	Total
Trees in a plantation forest	4,931,102	4,931,102

Notes to the Annual Financial Statements

	2017	2016

9. Biological assets (Plantation) (continued)

Non - Financial information

Quantities of biological asset		
Trees in a plantation forest	42,044	60,505

The trees in the plantation have been estimated based on a volume per hectare, which the plantations are a total of 116.1 ha.

Mature biological assets

Trees in a plantation forest	42,044	42,044

The trees in Plots 4-9 on 78.3 ha were harvested during the year.

Immature biological assets

Trees in a plantation forest	3,204	3,204

The trees in Plot 1-3,10 have not reached their harvest age of an average age of 1-15 years.

Pledged as security

None of the biological assets are pledged as security.

Revaluation

The biological assets were revalued by Mr. Martin Engelbrecht, an independent Forest Economist as at 30 June 2017. The Faustmann valuation technique was applied for the valuation of the biological assets.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	61,113,333	(6,112,251)	55,001,082	61,113,333	(4,297,369)	56,815,964

Reconciliation of investment property - 2017

	Opening balance	Impairments	Depreciation	Total
Investment property	56,815,964	(16,098)	(1,798,784)	55,001,082

Reconciliation of investment property - 2016

	Opening balance	Disposals	Prior year adjustment	Depreciation	Total
Investment property	58,864,620	(42,314)	(202,630)	(1,803,712)	56,815,964

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. The municipality has developed a comprehensive asset register encompassing movable assets, land, buildings and infrastructure assets.

The investment property inlcudes land registered under the name of the municipality and Mlungisi Mall.

The Mlungisi Mall components are the only assets within the investment properties which are depreciated.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	6,933,932	-	6,933,932	6,933,932	-	6,933,932
Buildings	63,823,644	(21,317,333)	42,506,311	65,559,330	(18,680,090)	46,879,240
Plant - Leased Asset	-	-	-	47,349,305	(7,108,882)	40,240,423
Machinery and equipment	6,253,081	(2,889,903)	3,363,178	6,183,992	(2,185,036)	3,998,956
Furniture and office equipment	3,174,762	(2,025,491)	1,149,271	3,114,647	(1,672,286)	1,442,361
Transport assets	40,338,891	(15,268,329)	25,070,562	34,541,168	(11,979,800)	22,561,368
Computer equipment	3,354,454	(2,013,909)	1,340,545	3,185,721	(1,464,355)	1,721,366
Roads	337,394,517	(85,323,708)	252,070,809	340,578,426	(71,099,719)	269,478,707
Electricity	44,605,908	(9,935,579)	34,670,329	42,203,747	(8,411,862)	33,791,885
Capital Work in Progress	24,521,493	-	24,521,493	10,981,833	-	10,981,833
Office Equipment - Leased Asset	627,788	(240,223)	387,565	681,214	(195,538)	485,676
Cemeteries	1,256,961	(689,854)	567,107	1,256,961	(650,410)	606,551
Airports	1,127,000	(715,869)	411,131	1,127,000	(679,241)	447,759
Landfill sites	4,629,869	(2,178,141)	2,451,728	4,629,869	(1,941,484)	2,688,385
Total	**538,042,300**	**(142,598,339)**	**395,443,961**	**568,327,145**	**(126,068,703)**	**442,258,442**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Disposal due to demarcation	Depreciation	Impairment loss	Total
Land	6,933,932	-	-	-	-	-	-	6,933,932
Buildings	46,879,240	-	-	1,903,997	(3,502,490)	(2,601,086)	(173,350)	42,506,311
Plant - Leased Asset	40,240,423	-	(39,712,879)	-	-	(527,545)	-	(1)
Machinery and equipment	3,998,956	69,089	-	-	-	(704,867)	-	3,363,178
Furniture and office equipment	1,442,361	60,115	-	-	-	(353,205)	-	1,149,271
Transport assets	22,561,368	6,079,416	(169,170)	-	-	(3,401,052)	-	25,070,562
Computer equipment	1,721,366	154,671	-	-	-	(535,492)	-	1,340,545
Roads	269,478,707	-	-	10,536,896	(9,959,370)	(17,213,350)	(772,074)	252,070,809
Electricity	33,791,885	-	-	2,432,270	(28,840)	(1,181,756)	(343,230)	34,670,329
Work in progress	10,981,833	28,412,823	-	(14,873,163)	-	-	-	24,521,493
Office Equipment - Leased Asset	485,676	30,037	-	-	-	(128,148)	-	387,565
Cemeteries	606,551	-	-	-	-	(39,444)	-	567,107
Airports	447,759	-	-	-	-	(36,628)	-	411,131
Landfill sites	2,688,385	-	-	-	-	(236,657)	-	2,451,728
	442,258,442	**34,806,151**	**(39,882,049)**	**-**	**(13,490,700)**	**(26,959,230)**	**(1,288,654)**	**395,443,960**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Prior year adjustment	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6,933,932	-	-	-	-	-	-	6,933,932
Buildings	43,487,909	4,145,133	45,848	(259,485)	1,991,879	(2,464,624)	(67,420)	46,879,240
Plant - Leased Asset	43,414,340	-	(8,649)	-	-	(3,165,268)	-	40,240,423
Machinery and equipment	4,164,717	481,890	12,754	(10,771)	-	(649,634)	-	3,998,956
Furniture and office equipment	1,593,939	233,405	(3,635)	(40,320)	-	(341,028)	-	1,442,361
Transport assets	22,256,151	571,130	3,133,780	(190,104)	-	(3,209,589)	-	22,561,368
Computer Equipment	2,004,138	327,992	(26,211)	(63,979)	-	(520,574)	-	1,721,366
Roads	227,431,727	22,170,524	12,577,326	(1,373,370)	23,573,885	(14,901,385)	-	269,478,707
Electricity	27,485,085	1,731,383	5,924,633	(184,093)	-	(1,165,123)	-	33,791,885
Work in progress	29,971,641	6,575,956	-	-	(25,565,764)	-	-	10,981,833
Office Equipment - Leased Asset	235,645	342,728	18,525	-	-	(111,222)	-	485,676
Cemeteries	607,522	-	38,580	-	-	(39,551)	-	606,551
Airports	484,548	-	(62)	-	-	(36,727)	-	447,759
Landfill sites	2,920,881	-	27,680	(20,970)	-	(239,206)	-	2,688,385
	412,992,175	**36,580,141**	**21,740,569**	**(2,143,092)**	**-**	**(26,843,931)**	**(67,420)**	**442,258,442**

Notes to the Annual Financial Statements

	2017	2016

11. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Office Equipment - Leased Assets	298,278	415,199
Plant - Leased Assets	-	40,257,720

Leased assets are pledged as security over the finance lease obligation.

Assets subject to finance lease (Net carrying amount)

Plant - Leased assets	-	40,240,423
Office Equipmentt - Leased assets	387,565	485,676
	387,565	**40,726,099**

Other information

Demarcation assets with a carrying value of R 14,079,345 (cost: R 17,390,599; accumulated depreciation: R 3,311,253) were written off during the year after municipal boundaries were reduced due to the demarcation.

Plant - Leased Assets
The leased yellow plant machinery was written off during the financial year after the termination of the lease agreement with Laman. The plant had a carrying value of R 39,730,036 (cost: R 47,349,305: accumulated depreciation: R 7,619,244.)

Reconciliation of Work-in-Progress - 2017

	Infrastructure	Community	Property, Plant and Equipment	Total
Opening balance	5,229,305	5,397,981	354,547	10,981,833
Additions/capital expenditure	21,209,775	2,432,268	4,770,780	28,412,823
Transferred to completed items	(12,440,895)	(2,432,268)	-	(14,873,163)
	13,998,185	**5,397,981**	**5,125,327**	**24,521,493**

Reconciliation of Work-in-Progress 2016

	Infrastructure	Community	Property, Plant and Equipment	Total
Opening balance	25,194,167	2,434,050	2,343,424	29,971,641
Additions/capital expenditure	3,609,025	2,963,931	3,000	6,575,956
Transferred to completed items	(23,573,885)	-	(1,991,879)	(25,565,764)
	5,229,307	**5,397,981**	**354,545**	**10,981,833**

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.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,159,163	(589,554)	1,569,609	1,090,052	(310,035)	780,017

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	780,017	1,069,111	(279,519)	1,569,609

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Prior year adjustment	Amortisation	Total
Computer software	612,917	354,309	(3,674)	14,263	(197,798)	780,017

Pledged as security

None of the intangible assets are pledged as security.

Notes to the Annual Financial Statements

	2017	2016

13. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	610,183	-	610,183	610,183	-	610,183

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	610,183	610,183

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	610,183	610,183

Pledged as security

None of the heritage assets are pledged as security.

14. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	239,459	18,563,799
- in second to fifth year inclusive	62,876	277,680
	302,335	18,841,479
less: future finance charges	(30,269)	(3,979,388)
Present value of minimum lease payments	**272,066**	**14,862,091**
Present value of minimum lease payments due		
- within one year	211,882	14,611,927
- in second to fifth year inclusive	60,184	250,164
	272,066	**14,862,091**

The finance lease obligation is made up of numerous rental agreements for the office equipment and a hire purchase agreement of the plant.

Office Equipment Leases

The discount rate used in calculating the present value id the minimum lease payments is the implicit interest rate in the lease, if this is practicable to determine; if not it is the prime interest rate. Due to the nature of the information provided the implicit rate for copiers could not be determined, as the cost of the copiers is not provided in the agreement. Any initial direct costs of leases are added to the amount recognised as an asset. Only the terms and payment amount are provided. The office equipment finance lease has an implicit interest rate ranging between 7.50% - 19% per annum, by taking into account the market values of the office equipment at initial recognition.

Notes to the Annual Financial Statements

	2017	2016

15. Payables from exchange transactions

Trade and other payables	22,756,156	7,766,805
Consumer debtors with credit balances	1,818,877	1,702,629
Deposits received	86,835	76,691
Other payables	1,060,473	1,060,473
	25,722,341	**10,606,598**

Consumer receivables with net credit balances have been reclassified to Payables.

16. Consumer deposits

Electricity	1,765,529	428,820

Consumer deposits are made of deposits from consumers from electricity connections, for those making use of conventional electricity.

	2017	2016

17. Employee benefit obligations

Defined benefit plan

The benefit plan consist of post retirement medical aid benefit plan and long service bonus.

Post retirement medical aid plan

The Municipality operates six accredited medical aid schemes, namely:

Bestmed
Bonitas
Discovery La Health
Hosmed
Keyhealth
Samwu

Pensioners continue on the option they belonged to on the day of retirement.

The Independent valuers, PriceWaterhouseCoopers Actuarial services carried out a statutory valuation on 30 June 2017 (30 June 2016 PriceWaterhouseCoopers Actuarial services).

Carrying value		
Present value of the defined benefit obligation	30,152,718	27,665,718
Service costs	2,048,000	1,498,000
Interest cost	2,993,000	2,716,000
Net actuarial gains	(2,046,000)	(1,463,000)
Benefits paid	(723,000)	(264,000)
	32,424,718	**30,152,718**

Post Retirement Benefit		
Non-current liabilities	31,648,718	29,533,718
Current liabilities	776,000	619,000
	32,424,718	**30,152,718**

Assumptions used

Assumptions used at reporting date:

Key assumptions used	30 June 2017	30 June 2016
Discount rates used	9.70 %	9.70 %
Net discount rates used	1.02 %	0.27 %
Medical cost trend rates	8.86 %	9.40 %

Other assumptions		
Pre retirement age	SA 85 - 90 L	SA 85 - 90 L
Post retirement age	PA (90) - 1	PA (90) - 1
Normal retirement age	63 years	63 years
Spouse age differences (male older than female)	3 years	3 years
AIDS	No assumptions made	No assumptions made

	2017	2016

17. Employee benefit obligations (continued)

Membership data

Female members	77	71
Male members	77	66

Healthcare cost inflation sensitivity (R'000)	1% decrease	Base (8.86%)	1% increase
Defined benefit obligation	(27,640)	(32,425)	(38,470)
Service cost (next financial year)	(1,527)	(1,937)	(2,489)
Interest cost (next financial year)	(2,793)	(3,291)	(3,921)

Long Services Awards

The Long service bonus for the portion of the next interval already rendered by the employee. The employee receives a leave pay and percentage of salary amount for reaching certain interval (5 years, 10 years, 15 years etc.). This provision is accrued in terms of the collective bargain agreement.

The Long service bonus plans are defined benefit plans. As at period ended 30 June 2017, 327 (2016: 321) employeed were eligible for Long service bonus.

Carrying value

Present value of the defined benefit obligation	4,443,000	3,845,000
Service costs	713,000	662,000
Interest cost	404,000	309,000
Net actuarial (loss) / gain	526,000	(174,000)
Benefits paid	(312,000)	(199,000)
	5,774,000	**4,443,000**

Non-current liabilities	4,823,000	3,889,000
Current liabilities	951,000	554,000
	5,774,000	**4,443,000**

Assumptions used

Assumptions used at the reporting date:

Key assumptions used	30 June 2017	30 June 2016
Discount rates used	8.50 %	8.70 %
Net discount rates used	1.12 %	(0.37) %
Salary inflation	7.30 %	8.30 %

Other assumptions

Normal retirement age	63 years	63 years
Number of trading days per year	252	252
		-

Membership data

Female members	106	105
Male members	221	216

	2017	2016

17. Employee benefit obligations (continued)

Short term employee benefits obligations

Provision for Bonuses:

A bonus provision is raised for the amount which the Municipality is obligated to pay employees

Accrual for leave gratuity:

Leave gratuity is raised for the amount which the Municipality is obligated to pay employees in lieu of annual leave, if they are to leave the Municipality.

Provision for Bonuses		
Opening balance	3,115,878	3,050,659
Performance bonus	1,141,536	913,643
Service bonus	2,967,602	2,202,235
Utilised during the year	(3,115,878)	(3,050,659)
	4,109,138	**3,115,878**

Accrual for leave gratuity:		
Opening balance	5,335,651	5,181,926
Leave gratuity- Obligation	6,990,304	5,335,978
Leave Gratuity - Debtor	-	(327)
Utilised during the year	(5,335,651)	(5,181,926)
	6,990,304	**5,335,651**

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

Carrying value		
Non-current portion of Post Retirement Benefits	(31,648,718)	(29,533,718)
Non-current portion of Long Service Awards	(4,823,000)	(3,889,000)
Current portion of Post Retirement Benefits	(776,000)	(619,000)
Current portion of Long Service Awards	(951,000)	(554,000)
Provision for bonus	(4,109,138)	(3,115,878)
Accrual for leave gratuity	(6,990,304)	(5,335,651)
	(49,298,160)	**(43,047,247)**

Non-current liabilities	(36,471,718)	(33,422,718)
Current liabilities	(12,826,442)	(9,624,529)
	(49,298,160)	**(43,047,247)**

Net expense recognised in the statement of financial performance

Current service cost	2,761,000	2,160,000
Interest cost	3,397,000	3,025,000
Actuarial gains	(1,520,000)	(1,772,000)
Curtailment or settlement	-	(463,000)
Bonuses	993,260	65,219
Leave pay provision	1,654,653	772,778
	7,285,913	**3,787,997**

Notes to the Annual Financial Statements

	2017	2016

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
INEG	307,089	-
WCG	473,420	-
Waste Grant	770,747	1,417,954
Recycling centre	122,310	122,310
MIG Funding	-	3,625,466
	1,673,566	**5,165,730**

Movement during the year		
Balance at the beginning of the year	5,165,730	19,589,246
Surrendered to NRF/Roll over not Approved	(3,625,000)	(9,494,000)
Grants received during the year	146,754,488	161,203,346
Income recognition during the year	(146,699,522)	(166,132,862)
	1,595,696	**5,165,730**

See note 23 for reconciliation of grants from National / Provincial Government

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

Notes to the Annual Financial Statements

	2017	2016

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Overprovision in previous years	Penalties	Transfer to accrual	Total
Provision for landfill sites	393,480	10,696	-	-	-	404,176
WCA	4,517,580	830,021	(1,238,850)	411,717	(3,690,447)	830,021
	4,911,060	**840,717**	**(1,238,850)**	**411,717**	**(3,690,447)**	**1,234,197**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Provision for landfill sites	383,093	10,387	393,480
WCA	3,654,396	863,184	4,517,580
	4,037,489	**873,571**	**4,911,060**

Non-current liabilities	404,176	393,480
Current liabilities	830,021	4,517,580
	1,234,197	**4,911,060**

Provision for Landfill Site rehabilitation

The Municipality has an obligation to restore two landfill sites situated in Stutterheim, Erf 80 and Cathcart, Erf 474. The sites are currently licenced and used for general waste disposal (non-hazardous) purposes.

WCA

The Municipality has an obligation to pay for the Workers Compensation Assurance (WCA), as a result a provision is raised based on the estimated amount to be paid, prior to the formal assessment by the Labour Department.

20. Service charges

Sale of electricity	28,866,926	33,439,733
Refuse removal	9,133,006	8,588,522
Other service charges	5,784	121,492
	38,005,716	**42,149,747**

Notes to the Annual Financial Statements

	2017	2016

21. Interest received - investment

Interest revenue		
Bank	8,441,923	9,422,299
	-	-
	8,441,923	9,422,299

Interest is earned on Municipal Investments and Municipal Cheque Account in note 8.

22. Property rates

Rates received

Property rates	16,630,011	18,309,325
Less: Rebates	(2,616,713)	(2,468,685)
	14,013,298	**15,840,640**

Valuations

Residential	1,361,185,877	1,379,124,749
Commercial	187,860,986	192,992,886
State	246,981,500	244,981,500
Municipal	29,704,332	33,304,332
Small holdings and farms	1,077,198,612	1,068,120,912
Public benefit organisations	73,402,300	74,723,500
Vacant land	1,973,000	1,973,000
	2,978,306,607	**2,995,220,879**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0098 (2016: 0.0092) is applied to property valuations to determine assessment rates. Rebates of R 2,616,713 (2016: R 2,468,685) are granted to residential and state property owners.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum is levied on rates outstanding monthly.

Notes to the Annual Financial Statements

	2017	2016

23. Government grants and subsidies

Operating grants		
Equitable share	113,780,000	124,034,000
Capacity of Municipality	-	282,481
Library grant	1,200,000	1,105,000
Municipal Infrastructure Grant (MIG)	23,147,466	36,227,124
Expanded Public Works Programme (EPWP)	1,062,000	1,056,000
Financial Managment Grant (FMG)	1,625,000	1,600,000
Municipal System Improvement Grant (MSIG)	-	930,000
Staff Training	170,487	161,347
LED Promotions	-	350,286
Waste collection grant	647,208	386,624
Waste site grant	296,580	-
INEG Grant	4,692,911	-
	146,621,652	**166,132,862**

Equitable Share

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

Operating and Maintenance cost of the Municipalities that have the least potential to cover these costs from their own revenue.

Municipal System Improvement Grant (MSIG)

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	**-**

The grant was obtained from the Cooperative and Traditional. The purpose of the grant is to assist the municipality to build in-house capacity to perform their functions and stabilise institutional and governace systems as required by the Municipal Systems Act no 32 of 2003.

Notes to the Annual Financial Statements

	2017	2016

23. Government grants and subsidies (continued)

LED promotions

Balance unspent at beginning of year	-	350,286
Conditions met - transferred to revenue	-	(350,286)
	-	**-**

The grant is used for the promotion of the LED function in the municipality and areas serviced by the municipality.

Waste Collection Grant

Balance unspent at beginning of year	1,417,954	1,804,578
Conditions met - transferred to revenue	(647,207)	(386,624)
	770,747	**1,417,954**

Conditions still to be met - remain liabilities (see note 18).

To promote safe enviroment and to reduce unemployment.

Recycling centre

Balance unspent at end of the period	122,310	122,310

Conditions still to be met - remain liabilities (see note 18).

The grant is made to assist the municipality in promotion of clean enviroment.

Capacity of Municipality

Current-year receipts	-	282,481
Conditions met - transferred to revenue	-	(282,481)
	-	**-**

The grant was obtained from the Department of Local Government and Housing, to enhance the development of the municipal employees.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	3,625,466	17,029,591
Surrendered ro NRF / Roll over not approved	(3,625,000)	(9,494,000)
Current year receipts	23,147,000	32,317,000
Conditions met - transferred to revenue	(23,147,466)	(36,227,125)
	-	**3,625,466**

The grant was received from the Department of Cooperative Governance and Traditional Affairs. The purpose of this grant is to provide specific finance for basic Municipal Infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

	2017	2016

23. Government grants and subsidies (continued)

Staff training

	2017	2016
Current-year receipts	170,487	161,347
Conditions met - transferred to revenue	(170,487)	(161,347)
	-	-

The grant was obtained form the Sectoral Education Training Authority (SETA) for training of staff,. In terms of the Skills Development Act regarding monies by SETA's published in Government Notice 990 in Government Gazette No. 34940, LG SETA is required to disburse in quarterly intervals.

Extended Public Works Programme (EPWP)

	2017	2016
Current-year receipts	1,062,000	1,056,000
Conditions met - transferred to revenue	(1,062,000)	(1,056,000)
	-	-

The grant is provided to expand the Public Works programme and job creation efforts. The municipality is incentivised to use labour intensive delivery methods in the following areas:
-Road maintenance and the maintenance of buildings;
-Parks beautification;
-Waste management
- Low traffic volume roads and rural roads.

Notes to the Annual Financial Statements

	2017	2016

23. Government grants and subsidies (continued)

Financial Managment Grant (FMG)

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	**-**

The grant is received to ensure sound and sustainable management of the fiscal and financial affairs of the municipality. To promote and support rerforms in financial management bu building capacity in municipalities to implement the Municipal Finance Management Act.

Library Grant

Current-year receipts	1,200,000	1,105,000
Conditions met - transferred to revenue	(1,200,000)	(1,105,000)
	-	**-**

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme.

INEG

Current year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,770,781)	-
	229,219	**-**

Conditions still to be met - remain liabilities (see note 18).

The grant was obtained from the Department of Energy. The purpose of this grant is to address the electrification backlog of occupied residential dwellings.

Waste site grant

Current year receipts	770,000	-
Conditions met - transferred to revenue	(296,580)	-
	473,420	**-**

Conditions still to be met - remain liabilities (see note 18).

To improve waste site and ensure clean enviroment.

Notes to the Annual Financial Statements

	2017	2016

24. Employee related costs

Basic	75,258,570	57,172,695
Bonus	5,353,045	4,904,839
Medical aid - company contributions	3,674,493	2,830,683
UIF	569,543	487,156
Employee benefit movements	4,638,000	2,622,000
Travel, motor car, accommodation, subsistence and other allowances	1,384,671	1,203,100
Overtime payments	2,865,096	1,801,323
Acting allowances	389,568	272,875
Travel allowances	5,012,161	3,283,364
Housing benefits and allowances	3,248,782	3,198,850
Performance Bonus	980,280	881,049
Industrial Council Levy	31,112	28,681
Pension Fund Contributions by Council	12,011,405	9,224,588
Less: Employee costs capitalised to PPE	(3,281,711)	(12,418,159)
	112,135,015	**75,493,044**

Remuneration of Municipal Manager

Annual remuneration	953,028	882,300
Travelling allowance	254,716	235,848
Contributions to UIF	1,785	1,785
Cellphone allowance	24,000	12,000
Other allowance	107,099	99,080
	1,340,628	**1,231,013**

The Municipal Manager's contract came to an end on 30 June 2017.

Remuneration of Chief Financial Officer

Annual remuneration	535,017	594,700
Travelling allowance	250,625	278,472
Contributions to UIF, Medical and Pension Funds	40,197	44,215
Cell allowance	14,000	8,400
Other allowance	142,436	158,387
	982,275	**1,084,174**

The Chief Financial Officer resigned on 19 May 2017.

Remuneration of Corporate Services Manager

Annual Remuneration	952,374	882,611
Contribution to UIF, Medical and Pension Funds	209,555	193,163
Cellphone allowance	16,800	8,400
	1,178,729	**1,084,174**

Notes to the Annual Financial Statements

24. Employee related costs (continued)

Remuneration of Engineering Services Manager

	2017	2016
Annual remuneration	-	643,434
Travelling allowance	-	100,000
Contributions to Medical and Pension Funds	-	31,493
Cellphone allowance	-	7,000
Other allowance	-	20,000
	-	**801,927**

The Engineering Services Manager resigned on 30 April 2016.

Remuneration of Development and Planning Manager

	2017	2016
Annual Remuneration	835,590	773,238
Travelling allowance	127,696	118,152
Contributions to UIF, Medical and Pension Funds	198,643	184,384
Cellphone allowance	16,800	8,400
	1,178,729	**1,084,174**

Remuneration of Community Services Manager

	2017	2016
Annual remuneration	689,905	639,445
Travelling allowance	264,060	244,500
Contribution to UIF, Medical and Pension Funds	156,575	144,331
Cellphone allowance	16,800	8,400
Other allowance	51,390	47,498
	1,178,730	**1,084,174**

Remuneration of Strategic Manager

	2017	2016
Annual remuneration	653,049	552,708
Travelling allowance	233,280	216,000
Contributions to UIF, Medical and Pension Funds	157,320	137,279
Cellphone allowance	16,800	8,400
Other allowance	51,092	43,926
	1,111,541	**958,313**

Notes to the Annual Financial Statements

	2017	2016

25. Remuneration of councillors

Honourable Mayor	758,012	782,480
Speaker	606,410	630,878
Councillors' Salaries	6,619,937	7,813,276
Contributions to Medical, Pension Funds and UIF	2,712,492	3,644,927
Councillors' allowances	864,438	977,784
	11,561,289	**13,849,345**

Honourable Mayor		
Annual Remuneration	511,413	511,791
Travelling allowance	189,503	169,457
Cellphone allowance	-	24,468
Contributions to UIF, Medical and Pension Funds	57,096	76,764
	758,012	**782,480**

Speaker		
Annual Remuneration	408,896	384,377
Travelling allowance	151,602	135,565
Cellphone allowance	-	24,468
Contributions to UIF, Medical and Pension Funds	45,912	86,468
	606,410	**630,878**

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

The Mayor and the Speaker both use council vehicles for official purposes.

The municipality's boundaries were reduced after the demarcation and as a result the council size was reduced.

26. Vendor management fee

Management fees - third party	545,185	504,420

The municipality pays vendor management fees to Conlog, this service provider owns the system used to manage the sales of prepaid electricity to external outlets and the municipal office cashiers.

27. Depreciation and amortisation

Property, plant and equipment	26,959,230	26,843,931
Investment property	1,798,784	1,803,712
Intangible assets	279,518	197,797
	29,037,532	**28,845,440**

28. Finance costs

Finance leases	2,506,888	16,369,510

29. Debt impairment

Debt impairment	7,916,439	11,739,160

Notes to the Annual Financial Statements

	2017	2016

30. Repairs and maintenance

Buildings	333,333	855,340
Equipment	199,243	170,297
Fencing	82,788	28,600
Electricity	530,427	707,124
Roads	2,797,381	2,036,560
Motor vehicles	2,991,974	3,144,585
	6,935,146	**6,942,506**

Notes to the Annual Financial Statements

	2017	2016

31. Bulk purchases

Electricity	26,164,717	24,312,805

The electricity bulk purchases relate to the amounts paid to Eskom, for the electricity in the area distributed by Amahlathi Local Municipality for their consumers.

Refer to note 44 for the distibution losses incurred during the year.

32. General expenses

Advertising	381,890	170,310
Audit Committee Fees	505,327	347,672
Audit Fees	3,055,611	1,727,674
Bank charges	379,428	319,633
Community development and training	1,665,456	2,429,564
Computer expenses	375,888	213,961
Consulting and professional fees	4,982,748	6,226,956
Consumables	315,934	324,594
Electricity	4,524,011	2,684,284
Electricity consumption (Street Lights)	1,024,595	1,140,634
Entertainment	627,234	527,498
Free basic electricity	8,298,716	7,671,528
Fuel and oil	4,535,040	3,729,269
IDP process plan	610,815	620,943
IT expenses	166,794	419,874
Insurance	2,203,214	5,185,112
Motor vehicle expenses	300,294	318,878
Other expenses	3,835,914	5,165,024
Plant hire	119,949	240,274
Postage and courier	215,780	256,404
Printing and stationery	1,254,875	1,180,439
Project maintenance costs	2,273,312	3,519,058
Promotions of LED	1,220,056	1,582,862
Refuse	70,700	97,870
Security (Guarding of municipal property)	2,206,896	555,596
Skills development levy	909,497	707,832
Staff welfare	337,170	580,265
Subscriptions and membership fees	1,055,876	982,995
Telephone and fax	1,433,708	1,494,357
Training	4,084,293	3,830,947
Uniforms	246,678	303,800
Vehicle license fees	453,345	296,038
	53,671,044	**54,852,145**

33. Auditors' remuneration

Auditors Remuneration	3,055,611	1,727,674

Notes to the Annual Financial Statements

	2017	2016

34. Cash flows from operating activities

	2017	2016
Deficit for the year	(82,821,003)	6,254,161
Adjustments for:		
Depreciation and amortisation	29,037,532	28,845,440
Loss on sale of property, plant and equipment	42,488,224	1,784,212
Loss on disposal of biological assets and agricultural produce	1,186,561	-
Gain on fair value of biological assets	(542,667)	-
Impairment loss on non-current assets	1,304,752	67,420
Debt impairment	7,916,439	11,739,160
Movements in retirement benefit assets and liabilities	6,250,913	3,303,944
Movements in provisions	(3,676,863)	873,571
Changes in working capital:		
Inventories	(344,920)	165,374
Consumer debtors and other debtors	(4,405,533)	(2,915,449)
Other receivables from non-exchange transactions	(5,766,194)	(7,399,841)
Payables from exchange transactions	15,115,749	1,893,249
VAT	(854,105)	(2,065,502)
Unspent conditional grants and receipts	(3,492,164)	(14,423,516)
Consumer deposits	1,336,709	(61,900)
	2,733,430	**28,060,323**

35. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Consumer debtors and other debtors	11,893,979	11,893,979
Other receivables from non-exchange transactions	3,787,624	3,787,624
Cash and cash equivalents	72,049,611	72,049,611
Short-term portion of long term receivables	138,722	138,722
Long term receivables	217,368	217,368
	88,087,304	**88,087,304**

Financial liabilities

	At amortised cost	Total
Finance lease obligations	272,065	272,065
Payables from exchange transactions	25,722,340	25,722,340
Unspent conditional grants	1,673,566	1,673,566
Consumer deposits	1,765,529	1,765,529
	29,433,500	**29,433,500**

Notes to the Annual Financial Statements

	2017	2016

. Financial instruments disclosure (continued)

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10,700,528	10,700,528
Other receivables from non-exchange transactions	2,725,786	2,725,786
Cash and cash equivalents	105,825,424	105,825,424
Short term portion of long term receivables	144,436	144,436
Long term portion of short term receivables	354,942	354,942
	119,751,116	**119,751,116**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	14,862,091	14,862,091
Payables from exchange transactions	10,606,598	10,606,598
Unspent conditional grants and receipts	5,165,730	5,165,730
Consumer deposits	428,820	428,820
	31,063,239	**31,063,239**

36. Commitments

Authorised capital expenditure

Already contracted for but not yet commenced		
• Property, plant and equipment	6,540,627	10,118,476
• Intangible assets	180,176	681,851
	6,720,803	**10,800,327**
Total capital commitments		
Already contracted for but not yet commenced	6,720,803	10,800,327

This committed expenditure relates to property, plant and equipment and intangible assets and will be financed by a combination of MIG and funds internally generated.

Notes to the Annual Financial Statements

	2017	2016

37. Contingencies

Contingent Liabilities

There is a claim of R 474,131 including legal costs (2016: R 400,000) by councillor Kenneth Sigidi and Cathcart Residents Association, case number A192 for damages. We are in the process of arraging a pre-trial conference.

There is a claim of R 103,541 including legal costs (2016: R 35,000) by Sydney Kenene, case number A201 for cattle that disappeared in the municipal pound that is managed by the SPCA.

There is a claim of R0 (2016: R140,000) for pain and suffering caused by laying false charge of fraud and theft.

There is a claim of R244,452 (2016: R0) for the repair costs of a hired vehicle that was involved in an accident while being driven by a municipality official.

There is a claim of R697,529.00 (2016: R0) by S. Thembani for unfair dismissal.

There is a claim of R72,084 (2016: R0) by A. Kolwapi for unfair dismissal.

Contingent Assets

There is claim by the municipality to recover R362,939 (2016: R 1,044,600), which relates to money diverted by a person impersonating one of the municipality's suppliers.

Notes to the Annual Financial Statements

	2017	2016

38. Related parties

Relationships

Accounting Officers	Refer to Accounting Officers' report note
Members of key management	NE Mbende - Acting Municipal Manager BK Socikwa - Municipal Manager (Contract expired - 30 June 2017) T Bacela - Strategic Manager B Ondala - Planning and Development Manager M Quma - Corporate Services Manager J Ntshinga (Resigned - 19 May 2017) N Nokwe - Acting Chief Financial Officer S Vara - Community Services Manager

Companies owned by people/spouses/partners/associates in the service of the state		
Badz Towing and Removals	-	8,000
Bubuncwane Trading	-	18,000
CQS Technology Holdings (Pty) Ltd	-	108,523
Cementile Products	52,222	59,802
Gasons General Trading	-	33,800
Hyperia t/a Compucare	-	50,839
ICT Choice	913,100	694,690
LM Velebesi Trading	20,000	23,250
Nelson Mandela Metropolitan University	43,230	15,490
Perfect times	-	102,900
Sabamdela Trading	21,600	21,250
Shido Logistix	32,780	-
Silver Clock Trading (Pty) Ltd	-	21,099
TFM Manufcaturing	34,496	48,871
Umbaxa Trading	-	29,900
Uphahla Lomzi Trading	-	32,000
Zizamele Thahla Gen Trading (Pty) Ltd	-	11,500
TH Paul Kruger	99,992	-
	1,217,420	**1,279,914**

39. 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.

39. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Municipality. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks that have high quality credit standing and limits exposure to any particular counterparty. Trade receivables comprise wide spread consumer base. Credit exposure is controlled by the application of the Municipality's credit control and debt collection policiies.

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

Financial instrument	2017	2016
Consumer debtors and other debotrs	11,893,979	10,700,528
Receivables from non-exchange transactiobs	3,787,624	2,725,786
Cash and cash equivalents	72,049,611	105,825,424
Long term receivables	217,368	354,942
Short term portion of long term receivables	138,722	144,436

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk

The municipality's interest bearing assets are included under cash and cash equivalents. The Municipality income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of the interest bearing asset.

At year end financial liabilities exposed to interest rate risk were for the Finance Leases R 11,156,591 (2016: R 14,862,091).

Balances with banks, deposits, call accounts and current accounts attract interest rates at rates that vary with the South African Prime Rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the statement of financial performance.

Trade debtors in arrears are linked to South African Prime rate plus one percent.

Liquidity risk

The municipality does not hedge foreign exchange fluctuations.

The municipality risk relates to funds available for future committments. The Municipality manages liquidity risk through ongoing review of future committments, projected grant receipts and cash forecasting. Cash flow forecasts are prepared and borrowing facilities are monitored.

The municipality is not exposed to currency as no transactions are negotiated in foreign.

40. Events after the reporting date

There were no signifcant events after year end.

41. Unauthorised expenditure

Opening balance	54,972,525	31,511,681
Unauthorised expenditure	20,641,692	23,460,844
	75,614,217	**54,972,525**

42. Fruitless and wasteful expenditure

Opening balance	5,639,866	5,557,926
Add: Fruitless and wasteful expenditure - current year	681,125	81,940
	6,320,991	**5,639,866**

Analysis of fruitless and wasteful expenditure

Interest paid	77,142	46,940
Penalties	603,983	35,000
	681,125	**81,940**

No disciplinary action has been taken yet with regards to the expenditure disclosed above.

43. Irregular expenditure

Opening balance	18,344,971	58,085,793
Add: Irregular Expenditure - current year	15,403,938	36,484,815
Add: Effect of overpayment of salaries	7,151,795	-
Less: Amounts written off by Council	-	(76,225,637)
	40,900,704	**18,344,971**

Analysis of expenditure awaiting to be certifed as irrecoverable per age classification

Current year	22,555,733	18,344,971
Prior years	18,344,971	-
	40,900,704	**18,344,971**

Details of irregular expenditure – current year

Irregular expenditure on contracts	SCM processes not followed	22,555,743

Details of irregular expenditure - prior year

Irregular expenditure on contracts	SCM processes not followed	36,484,815

No disciplinary action has been taken yet with regards to the expenditure disclosed above:

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year	1,168,680	969,046
Amount paid - current year	(1,168,680)	(969,046)
	-	**-**

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

Material electrical distribution losses

Current year	3,456,961	2,842,928

Audit fees

Current year	3,055,611	1,727,674
Amount paid - current year	(3,055,611)	(1,727,674)
	-	-

PAYE and UIF

Current year	16,755,489	10,092,640
Amount paid - current year	(16,755,489)	(10,092,640)
	-	-

Pension and Medical Aid Deductions

Current year	18,025,436	12,195,764
Amount paid - current year	(18,025,436)	(12,195,764)
	-	-

VAT

VAT receivable	3,968,304	3,114,199

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

All VAT returns have been submitted by the due date during the period under review.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Busika N	881	5,261	6,142
Monti N	872	581	1,453
Pickering RB	9,648	300	9,948
Ngxingxolo CT	730	881	1,611
	12,131	**7,023**	**19,154**

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations the accounting officer may dispense of the official procurement process requirements in certain circumstances (e.g emergency or single procurement) and the accounting officer may ratify minor breaches of the procurement process if the breach is purely of a technical nature.
However all such departures need to be approved by the Municipal Manager and noted by Council.

All departures in terms of section 36 have been approved by the Municipal Manager and noted by Council unless otherwise stated.

Incident		
Abenzi Woodhouse	-	20,503
Abomsuthu Trading	-	12,000
Agri Trac & Auto	23,019	5,284
Ahlangane Trading	16,000	-
Aloe Office and Business Equipment	6,964	-
Aloe Travel	-	77,241
Amatola Cleaning Supplies CC	-	7,752
Awona Empowerment Technologies	-	14,800
Babcock Africa Services	893,048	773,806
Badz Towing and Removals (Pty) Ltd	-	8,000
Barloworld Training Equipment Operator Academy	-	28,051
Bell Equipment	29,518	-
Boardmans Hardware	3,331	20,856
Bose Tyres	40,478	-
Border Internet	7,368	-
Buffalo Toyota	28,990	37,922
Buffalo City Lubricants	-	16,795
Business Connexion	-	39,400
Carnation Delux Events (Pty) Ltd	71,200	-
Cathcart Farm Services	10,466	-
CB Agencies	18,576	-
Cementile Products	52,223	31,034
Comspec Africa	-	13,092
Conlog	85,332	-
Datnis Nissan	15,795	-
Ekim Sales CC	43,417	32,490
Dymot Engineering Company	38,623	-
Ezothahla General Trading	-	9,500
Government Print	9,453	5,675
Farm Security Systems	6,560	-
Hewu Funerals	10,000	-
Hlumelo Trading	9,786	-
Honey Guide	-	24,966
Kavi Transport Services	2,800	-
Kemah JCB	45,743	89,707
Kempston Motor	63,266	42,158
Khapy General Trading CC	12,500	-
Khula Duna Trading	5,325	-
Koloni Energy Solutions	16,000	-
Komatsu Southern Africa	18,283	76,937
Lexis Nexis	38,906	-
Lithotech	15,016	12,116
Manderson Hotel	388,455	343,325
McGormick	9,293	-
MCR Hydraulic CC	19,716	-
Meyers Motors	64,665	-
Mindmuziek Media	7,999	-

Notes to the Annual Financial Statements

Figures in Rand

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

Motorland Group	-	21,583
Ndondo's Taxi	10,800	-
New Dimension	12,137	-
Nkoliso Trading	20,000	-
North and Robertson	10,089	6,262
PayDay	92,187	-
Peugair Border	68,896	177,977
Picasso Headline	42,476	-
Pick n Pay	42,978	97,596
Pirate Medical Supplies	9,982	-
Pollocks copy, design and print	-	15,298
Qamis Trading	16,500	16,173
Queenstown Nissan	34,051	48,461
Red Alert	27,257	-
Rencor	5,665	74,437
Rennies Motors	116,030	29,724
Resilient Servers and Network	46,204	-
Shuz & Unam Dealers (Pty) Ltd	-	28,000
Siphokazi Hospitality and Service	-	8,000
Slo Foot Jazz Band	25,000	-
Square Deal Engineering	133,988	107,525
Sondlo & Knopp	4,760	-
Southern Fried	13,272	-
Strydom's Workshop Centre	-	41,788
Stutt Delta Garage	796,201	728,663
Syco Manufacturing	14,149	-
Tava Networks	3,534	-
TFM Manufacturer	21,660	48,872
Thando's Catering & Guest House	2,996	-
TKY Power Products	-	7,674
Total Client Services Ltd	-	7,638
Tourism Enterprise Partnership	-	10,260
Tractor World	7,852	-
Trans Atlantic	7,062	-
Transkei Yamaha	2,195	-
Trillionaire Mind Inc	20,000	-
Truvelo Manufacturers	12,856	7,303
Ubuntu Bam Farms	4,700	-
UD Trucks	6,539	-
Umtiza Farmer's Corp	14,080	28,149
Uphawulwethu Trading	-	17,600
Vanguard Fire and Safety Cape	2,918	-
Vodacom	2,382,683	-
Zukhali General Trading	-	12,000
	6,159,811	**3,284,393**

45. Prior period errors

1.1 Property,plant and equipment
During the year, it was noted that the municipality had incorrectly charged depreciation on property, plant and equipment, due to incorrect useful lives used in the previous years.The comparative figures were restated to reflect the correction of errors.

1.2 Investment Properties
During the year, it was noted that the municipality had incorrectly charged depreciation on investment properties, due to incorrect useful lives used in the previous years.The comparative figures were restated to reflect the correction of errors.

1.3 Intangible Assets
During the year, it was noted that the municipality had incorrectly charged depreciation on intangible assets, due to incorrect useful lives used in the previous years.The comparative figures were restated to reflect the correction of errors.

1.4 Payables from exchange Transactions
During the year, it was noted that unutilised prepaid electricity was not correctly accounted for in the prior year. The comparative figures were restated to reflect the correction of errors.

The errors indicated above, has been corrected in the current financial year through restatement of the comparative.

The correction of the error results in adjustments as follows:

Property, plant and equipment	2016	Prior Years
Previously reported	416,501,885	412,992,175
Adjustment oprior years	21,740,569	21,740,569
Adjustments depreciation	4,015,972	-
Adjustment Impairment	16	-
	442,258,442	**434,732,744**

Accumulated surplus	2016	Prior Years
Previously reported	(524,957,709)	(522,456,541)
Property, plant and equipment	(25,756,557)	(21,740,569)
Investment Property	350,451	202,630
Intangible Assets	(21,061)	(14,263)
Payables	121,972	-
	(550,262,904)	**(544,008,743)**

Investment Properties		
Previously reported	57,166,415	58,864,620
Adjustment to prior year	(202,630)	(202,630)
Adjustment depreciation	(147,821)	-
	56,815,964	**58,661,990**

Intangible Assets		
Previously reported	758,956	612,917
Adjustment prior year	14,263	14,263
Adjustment amortisation	6,798	-
	780,017	**627,180**

Notes to the Annual Financial Statements

Figures in Rand

45. Prior period errors (continued)

Payables from exchange transactions

Previousl reported	10,484,626	8,713,348
Adjustmennt to revenue	121,972	-
	10,606,598	**8,713,348**

Depreciation and amortisation

Previously reported	(32,720,389)	(30,236,642)
Adjustment depreciation - PPE	4,015,972	-
Adjustment depreciation - Investment Properties	(147,821)	-
Adjustment amortisation - Intangible Assets	6,798	-
	(28,845,440)	**(30,236,642)**

Service Charges

Reconciliation		
Previously reported	42,271,719	32,142,493
Adjustment revenue	(121,972)	-
	42,149,747	**32,142,493**

Impairment loss on non current assets

Previously reported	(67,436)	(1,587,477)
Adjustment impairment	16	-
	(67,420)	**(1,587,477)**

46. Budget differences

Material differences between budget and actual amounts

46. Budget differences (continued)

Management considers that under/overspeding of R300,000 to be reasonable as it is the tolerable amount to affect the change on the National Treasury Budget.

Statement of Financial Performance

FinPerf1.
The reason for the variance between budget and actual is due to the increase in distribution losses relating to electricity and slow payment in refuse service charges.

FinPerf2.
The amount includes the funding committed from the Municipal reserves to fund other operating programmes.

FinPerf3.
The reason for the variance between budget and actual is due to the implementation of additional rebate granted as a result of supplementary valuation.

FinPerf4.
The reason for the variance between budget and actual is due to the slow spending on external funding.

FinPerf5.
The reason for the variance between budget and actual is due to employee related disruption that took place during the year.

FinPerf6.
The reason for the variance between budget and actual is due to the implementation of standardisation and subsequent appeals which were not anticipated during the budget process.

FinPerf7.
The reason for the variance between budget and actual is due to the decline in number of councillors as a result of demarcation changes.

FinPerf8.
The reason for the variance between budget and actual is due to the decrease on useful lives of municipal assets.

FinPerf9.
The reason for the variance between bugdet and actual is due to the reduction of impairment provision as the municipality appointed a debt collector.

FinPerf10.
The reason for the variance between budget and actual is due to the write off of leased plant.

FinPerf11.
The reason for the variance between budget and actual is due to security services engaged as a result of a strike emanating from standardization.

FinPerf12.
The reason for the variance between budget and actual is due to the provision for winter electricity winter tariff.

FinPerf13.
The reason for the variance between budget and actual is due to increase in electricity consumption, fuel expenses and training expenses.

FinPerf14.
The reason for the variance between budget and actual is due to plant that was written off from property, plant and equipment, and also assets written off due to demarcation.

Statement of Financial Position

46. Budget differences (continued)

FinPos1.
The reason for the variance between budget and actual is due to electrical inventory as a result of new electricity project.

FinPos2.
The reason for the variance between budget and actual is due to implementation of credit control and debt collection policy.

FinPos3.
The reason for the variance between budget and actual is due to increase equitable share and increase in employee related costs and other expenditure.

FinPos4.
The reason for the variance between budget and actual is due to the harvest of pine trees during the current financial year.

FinPos5.
The reason for the variance between budget and atual is due to the increase in accumulated depreciation for Mlungisi Mall & other municipal buildings.

FinPos6.
The reason for the variance between budget and actual is as a result of leased plant that was written off and assets due written off due to demarcation.

FinPos7.
The reason for the variance between budget and actual is due to the write off of leased plant.

FinPos8.
The reason for the variance between budget and actual is due to the commitments at year end.

FinPos9.
The reason for the variance between budget and actual is due to the current portion of employee benefit obligation not budgeted for.

FinPos10.
The reason fof the variance between budget and actual is due an increase in number of employees qualifying for employee long service awards.

Cash Flow Statement

C1.
The reason for the variance between budget and actual is due to increase in distribution losses to electricity and slow payment in refuse service charge.

C2.
The reason for the variance between budget and actual is due to the provincial waste grant which was received during the year.

C3.
The reason for the variance between budget and actual is due to decrease in equitable share.

C4.
The reason for the variance between budget and actual is due to increase in commitments.

C5.
The reason for the variance between budget and actual is due write off of leased plant.

C6.
The reason for the variance between budget and actual is due to the write off lf leased plant.

C7.
The reason for the variance between budget and actual is to the proceeds from sale of assets which had not been budgeted for.

Notes to the Annual Financial Statements

Figures in Rand

46. Budget differences (continued)

C8
The reason for the variance between budget and actual is due to the lease payments being budgeted for under capital expenditure.