

WALTER SISULU LOCAL MUNICIPALITY



WALTER SISULU
LOCAL MUNICIPALITY
Botho Humanity Ubuntu

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2017

WALTER SISULU LOCAL MUNICIPALITY

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WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

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

LEGAL FORM

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

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

The Walter Sisulu Local Municipality was subsequently established by the amalgamation of the Maletswai Local Municipality and Gariep Local Municipality. Operations in the Walter Sisulu Local Municipality commenced on 6 August 2016, being the merger date.

The financial statements covers a period of 328 days (from 6 August 2016 to 30 June 2017) and in line with the requirements of GRAP 107, paragraph 42, no comparative information is presented.

JURISDICTION

The Walter Sisulu Local Municipality includes the following areas:

Aliwal North	Burgersdorp	Venterstad
Jamestown	Steynsburg	Oviston

MUNICIPAL MANAGER

Mr. T Mawonga

ACTING CHIEF FINANCIAL OFFICER

Mr. U. Peter

REGISTERED OFFICE

1 Jan Greyling Street, Burgersdorp, 9744

AUDITORS

Auditor General South Africa

PRIMARY BANKER

First National Bank, Aliwal North

WALTER SISULU LOCAL MUNICIPALITY

GENERAL INFORMATION

ATTORNEYS

Douglas and Botha

Horn & Kumm

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Municipal Planning and Performance Management Regulations

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

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

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

WALTER SISULU LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

MEMBERS OF COUNCIL

<u>Councillor</u>	<u>Position</u>	<u>Councillor</u>	<u>Position</u>
Cllr B Khweyiya	Executive Mayor	Cllr Z Mangali	Ward 1 Councillor
Cllr KS Lange	Speaker	Cllr Z Mqokwana	Ward 2 Councillor
Cllr E Theron	PR Councillor	Cllr BM Ndika	Ward 3 Councillor
Cllr VA Schoeman	PR Councillor	Cllr M Solani	Ward 4 Councillor
Cllr N Ngubo	PR Councillor	Cllr L Nkunzi	Ward 5 Councillor
Cllr MB Mtshingana	PR Councillor	Cllr ZE Masina	Ward 6 Councillor
Cllr M Jan	PR Councillor	Cllr M Mdumisa	Ward 7 Councillor
Cllr DF Hartkopf	PR Councillor	Cllr X Mabusela	Ward 8 Councillor
Cllr VD Davids	PR Councillor	Cllr D De Jongh	Ward 9 Councillor
Cllr M De Ridder Nel	PR Councillor	Cllr MW Mokhoabane	Ward 10 Councillor
Cllr M Van Heerden	PR Councillor		
Cllr Y Zweni	PR Councillor		

APPROVAL OF ACCOUNTING OFFICER

set out on pages 1 to 131 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

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

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

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

Mr. T Mawonga
Municipal Manager

Date

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R (Actual)
ASSETS		
Current Assets		85 463 226
Cash and Cash Equivalents	2	21 658 077
Receivables from exchange transactions	3	19 673 112
Receivables from non-exchange transactions	4	12 765 163
Operating Lease Asset	5	-
Taxes	6	31 050 470
Inventory	7	316 404
Non-Current Assets		622 769 087
Non-Current Investments	8	1 368 838
Investment Property	9	153 159 502
Property, Plant and Equipment	10.1	455 005 784
Property, Plant and Equipment - Capitalised Restoration Cost	10.2	7 782 215
Biological Assets	11	1 880 250
Heritage Assets	12	2 984 705
Intangible Assets	13	587 794
Total Assets		708 232 314
Current Liabilities		288 032 405
Annuity Loans	14.1	606 427
Hire Purchases	14.2	620 658
Consumer Deposits	15	2 126 012
Payables from exchange transactions	16	252 070 419
Unspent Conditional Government Grants	17	17 127 327
Current Employee benefits	18	14 587 162
Provisions	19	894 400
Non-Current Liabilities		54 613 089
Annuity Loans	14.1	2 210 221
Hire Purchases	14.2	527 830
Employee benefits	20	27 416 005
Non-Current Provisions	21	24 459 033
Total Liabilities		342 645 495
NET ASSETS		365 586 819
COMMUNITY WEALTH		
Accumulated Surplus	22	365 586 819
TOTAL COMMUNITY WEALTH		365 586 819

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

	Notes	2017 R (Actual)
REVENUE		
REVENUE FROM NON-EXCHANGE TRANSACTIONS		118 940 089
Taxation Revenue		18 661 347
Property Rates	23	18 661 347
Transfer Revenue		91 251 244
Government Grants and Subsidies - Capital	24	27 911 207
Government Grants and Subsidies - Operating	24	63 340 037
Other Revenue		9 027 498
Fines	25	459 253
Actuarial Gains	26	7 958 108
Fair Value Adjustments	27	597 200
Insurance Receipts		12 936
REVENUE FROM EXCHANGE TRANSACTIONS		106 587 013
Operating Activities		106 587 013
Service Charges	28	91 205 282
Rental of Facilities and Equipment		2 144 825
Interest Earned - external investments		1 431 704
Interest Earned - outstanding debtors	29	5 118 497
Licences and Permits	30	3 225 925
Agency Services	31	1 618 523
Other Income	32	1 842 255
TOTAL REVENUE		225 527 101
EXPENDITURE		
Employee related costs	33	76 831 637
Remuneration of Councillors	34	5 882 648
Debt Impairment	35	36 177 542
Depreciation and Amortisation	36	26 036 302
Repairs and Maintenance	37	4 010 665
Finance Charges	38	11 907 013
Bulk Purchases	39	70 593 781
Transfers and Grants	40	191 813
Operating Grant Expenditure	41	11 113 594
Other Expenditure	42	24 471 614
TOTAL EXPENDITURE		267 216 609
NET DEFICIT FOR THE PERIOD		(41 689 508)

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDING 30 JUNE 2017

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 6 August 2016	-	-
Assets acquired and liabilities assumed on merger date - 6 August 2016 - Refer to note 43	403 956 871	403 956 871
Adjustments to Assets acquired and liabilities assumed on merger date - 6 August 2016 - Refer to note 44	3 319 456	3 319 456
Net Deficit for the period	(41 689 508)	(41 689 508)
Balance on 30 June 2017	365 586 819	365 586 819

WALTER SISULU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

	Notes	2017 R (Actual)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts		
Property rates		15 614 382
Service charges		74 257 400
Other revenue		10 496 517
Government - operating		73 230 155
Government - capital		29 931 011
Interest		1 431 704
Payments		
Suppliers		(74 942 786)
Employees		(72 153 492)
Finance charges		(8 563 560)
Transfers and Grants		(191 813)
NET CASH FROM OPERATING ACTIVITIES	45	49 109 519
CASH FLOW FROM INVESTING ACTIVITIES		
Receipts		
Increase in non-current investments		(91 532)
Payments		
Purchase of Property, Plant and Equipment		(29 226 442)
Purchase of Intangible Assets		(166 770)
NET CASH USED IN INVESTING ACTIVITIES		(29 484 744)
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts		
Increase in Consumer Deposits		98 220
Payments		
Loans repaid		(1 225 989)
NET CASH USED IN FINANCING ACTIVITIES		(1 127 770)
NET INCREASE IN CASH HELD		18 497 006
Cash and Cash Equivalents recognised on merger date		3 161 071
Cash and Cash Equivalents at the end of the period		21 658 077
NET INCREASE IN CASH HELD		18 497 006

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
ASSETS			
Current assets			
Cash and Cash Equivalents	21 658 077	6 437 253	15 220 823
Consumer debtors	23 609 833	28 538 529	(4 928 696)
Other Receivables	39 878 913	37 266 978	2 611 935
Inventory	316 404	332 069	(15 665)
Total current assets	85 463 226	72 574 829	12 888 397
Non current assets			
Investments	1 368 838	888 657	480 181
Investment property	153 159 502	164 307 469	(11 147 967)
Property, plant and equipment	462 787 999	480 339 170	(17 551 171)
Biological Assets	1 880 250	1 367 731	512 519
Heritage Assets	2 984 705	3 181 696	(196 991)
Intangible Assets	587 794	648 578	(60 785)
Total non current assets	622 769 087	650 733 301	(27 964 213)
TOTAL ASSETS	708 232 314	723 308 130	(15 075 816)
LIABILITIES			
Current liabilities			
Borrowing	1 227 085	1 133 490	93 595
Consumer deposits	2 126 012	2 148 158	(22 146)
Trade and other payables	269 197 745	220 024 976	49 172 770
Provisions and Employee Benefits	15 481 563	10 450 335	5 031 228
Total current liabilities	288 032 405	233 756 958	54 275 447
Non current liabilities			
Borrowing	2 738 051	91 159 129	(88 421 078)
Provisions and Employee Benefits	51 875 038	41 535 216	10 339 822
Total non current liabilities	54 613 089	132 694 345	(78 081 255)
TOTAL LIABILITIES	342 645 495	366 451 303	(23 805 808)
NET ASSETS	365 586 819	356 856 827	8 729 992
COMMUNITY WEALTH			
Accumulated Surplus	365 586 819	357 155 776	8 431 043
TOTAL COMMUNITY WEALTH	365 586 819	357 155 776	8 431 043

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
ASSETS			
Current assets			
Cash and Cash Equivalents	6 437 253	-	6 437 253
Consumer debtors	28 538 529	-	28 538 529
Other Receivables	37 266 978	-	37 266 978
Inventory	332 069	-	332 069
Total current assets	72 574 829	-	72 574 829
Non current assets			
Investments	888 657	-	888 657
Investment property	164 307 469	-	164 307 469
Property, plant and equipment	480 339 170	-	480 339 170
Biological Assets	1 367 731	-	1 367 731
Heritage Assets	3 181 696	-	3 181 696
Intangible Assets	648 578	-	648 578
Total non current assets	650 733 301	-	650 733 301
TOTAL ASSETS	723 308 130	-	723 308 130
LIABILITIES			
Current liabilities			
Borrowing	1 133 490	-	1 133 490
Consumer deposits	2 148 158	-	2 148 158
Trade and other payables	220 024 976	-	220 024 976
Provisions and Employee Benefits	10 450 335	-	10 450 335
Total current liabilities	233 756 958	-	233 756 958
Non current liabilities			
Borrowing	91 159 129	-	91 159 129
Provisions and Employee Benefits	41 535 216	-	41 535 216
Total non current liabilities	366 451 303	-	366 451 303
TOTAL LIABILITIES	366 451 303	-	366 451 303
NET ASSETS	356 856 827	-	356 856 827
COMMUNITY WEALTH			
Accumulated Surplus	357 155 776	-	357 155 776
TOTAL COMMUNITY WEALTH	357 155 776	-	357 155 776

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
REVENUE BY SOURCE			
Property rates	18 661 347	24 121 412	(5 460 065)
Service charges - electricity revenue	76 276 657	82 932 061	(6 655 403)
Service charges - refuse revenue	14 928 625	19 328 832	(4 400 207)
Rental of facilities and equipment	2 144 825	1 203 751	941 074
Interest earned - external investments	1 431 704	531 094	900 610
Interest earned - outstanding debtors	5 118 497	4 888 220	230 277
Fines	459 253	130 411	328 842
Licences and permits	3 225 925	3 804 692	(578 767)
Agency services	1 618 523	2 990 000	(1 371 477)
Government Grants and Subsidies - Operating	63 340 037	71 270 873	(7 930 836)
Other revenue	10 410 499	922 138	9 488 361
Gains on disposal of PPE	-	818	(818)
TOTAL OPERATING REVENUE	197 615 895	212 124 303	(14 508 408)
EXPENDITURE BY TYPE			
Employee related costs	76 831 637	70 694 974	6 136 663
Remuneration of councillors	5 882 648	4 525 930	1 356 717
Debt impairment	36 177 542	2 239 474	33 938 068
Depreciation & asset impairment	26 036 302	18 790 051	7 246 250
Finance charges	11 907 013	321 332	11 585 680
Bulk purchases	70 593 781	72 861 427	(2 267 646)
Grants and subsidies paid	191 813	10 351 693	(10 159 881)
Other expenditure	39 595 874	31 227 557	8 368 316
TOTAL OPERATING EXPENDITURE	267 216 609	211 012 440	56 204 169
OPERATING SURPLUS/(DEFICIT) FOR THE PERIOD	(69 600 714)	1 111 863	(70 712 577)
Government Grants and Subsidies - Capital	27 911 207	25 990 324	1 920 883
NET SURPLUS/(DEFICIT) FOR THE PERIOD	(41 689 508)	27 102 187	(68 791 694)

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 JUNE 2017

ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
REVENUE BY SOURCE			
Property rates	24 121 412	-	24 121 412
Service charges - electricity revenue	98 470 744	(15 538 684)	82 932 061
Service charges - refuse revenue	22 952 743	(3 623 911)	19 328 832
Rental of facilities and equipment	2 999 307	(1 795 556)	1 203 751
Interest earned - external investments	834 156	(303 062)	531 094
Interest earned - outstanding debtors	4 888 220	-	4 888 220
Fines	351 494	(221 083)	130 411
Licences and permits	3 804 692	-	3 804 692
Agency services	2 990 000	-	2 990 000
Government Grants and Subsidies - Operating	54 990 873	16 280 000	71 270 873
Other revenue	3 296 894	(2 374 756)	922 138
Gains on disposal of PPE	89 375	(88 557)	818
TOTAL OPERATING REVENUE	219 789 910	(7 665 608)	212 124 303
EXPENDITURE BY TYPE			
Employee related costs	87 589 029	(16 894 055)	70 694 974
Remuneration of councillors	7 364 853	(2 838 923)	4 525 930
Debt impairment	3 357 532	(1 118 058)	2 239 474
Depreciation & asset impairment	17 049 696	1 740 355	18 790 051
Finance charges	992 844	(671 512)	321 332
Bulk purchases	72 879 647	(18 220)	72 861 427
Grants and subsidies paid	19 480 040	(9 128 347)	10 351 693
Other expenditure	51 595 618	(20 368 061)	31 227 557
TOTAL OPERATING EXPENDITURE	260 309 259	(49 296 819)	211 012 440
OPERATING SURPLUS/(DEFICIT) FOR THE PERIOD	(40 519 349)	41 631 211	1 111 863
Government Grants and Subsidies - Capital	20 990 324	5 000 000	25 990 324
NET SURPLUS/(DEFICIT) FOR THE PERIOD	(19 529 025)	46 631 211	27 102 187

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	15 614 382	24 121 412	(8 507 030)
Service charges	74 257 400	80 347 277	(6 089 877)
Other revenue	10 496 517	34 699 239	(24 202 722)
Government - operating	73 230 155	87 929 000	(14 698 845)
Government - capital	29 931 011	31 552 000	(1 620 989)
Interest	1 431 704	5 722 375	(4 290 671)
Payments			
Suppliers and Employees	(147 096 278)	(167 999 717)	20 903 439
Finance charges	(8 563 560)	(6 154 193)	(2 409 367)
Transfers and Grants	(191 813)	(514 686)	322 874
NET CASH FROM OPERATING ACTIVITIES	49 109 519	89 702 708	(40 593 188)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	-	1 282 133	(1 282 133)
Increase in non-current investments	(91 532)	-	(91 532)
Payments			
Capital assets	(29 393 212)	(26 610 350)	(2 782 861)
NET CASH USED IN INVESTING ACTIVITIES	(29 484 744)	(25 328 217)	(4 156 527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	98 220	89 000	9 220
Payments			
Repayment of borrowing	(1 225 989)	(1 133 490)	(92 499)
NET CASH USED IN FINANCING ACTIVITIES	(1 127 770)	(1 044 490)	(83 280)
NET INCREASE IN CASH HELD	18 497 006	63 330 001	(44 832 995)
Cash and Cash Equivalents recognised on merger date	3 161 071	1 055 815	2 105 256
Cash and Cash Equivalents at the end of the period	21 658 077	64 385 816	(42 727 739)

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2017

ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates	24 121 412	-	24 121 412
Service charges	109 509 872	(29 162 594)	80 347 277
Other revenue	37 193 696	(2 494 457)	34 699 239
Government - operating	71 649 000	16 280 000	87 929 000
Government - capital	26 552 000	5 000 000	31 552 000
Interest	5 722 375	-	5 722 375
Payments			
Suppliers and Employees	(168 478 457)	478 741	(167 999 717)
Finance charges	(6 825 705)	671 512	(6 154 193)
Transfers and Grants	(514 686)	-	(514 686)
	<u>98 929 506</u>	<u>(9 226 799)</u>	<u>89 702 708</u>
NET CASH FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	1 282 133	-	1 282 133
Payments			
Capital assets	(26 210 350)	(400 000)	(26 610 350)
	<u>(24 928 217)</u>	<u>(400 000)</u>	<u>(25 328 217)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase in consumer deposits	-	89 000	89 000
Payments			
Repayment of borrowing	(1 133 490)	-	(1 133 490)
	<u>(1 133 490)</u>	<u>89 000</u>	<u>(1 044 490)</u>
NET CASH USED IN FINANCING ACTIVITIES			
NET INCREASE IN CASH HELD			
	<u>72 867 799</u>	<u>(9 537 799)</u>	<u>63 330 001</u>
Cash and Cash Equivalents recognised on merger date	1 055 815	-	1 055 815
Cash and Cash Equivalents at the end of the period	73 923 614	(9 537 799)	64 385 816

Refer to note 47.2 for details of material variances.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

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

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

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

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

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

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

1.02 TRANSITIONAL PROVISIONS

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

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

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

1.03 PRESENTATION CURRENCY

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

1.04 GOING CONCERN ASSUMPTION

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.05 COMPARATIVE INFORMATION

No comparative information is disclosed as the Municipality was only established in the current financial year.

1.06 MATERIALITY

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

1.07 BUDGET INFORMATION

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

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

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

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

1.08.1 Effective GRAP standards

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

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

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

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

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

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2019

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

1.08.2 Effective dates not yet determined

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

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

1.08.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

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

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

1.08.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

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

The Municipality resolved to develop an accounting policy as set out in note and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

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

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

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.08.2.9 GRAP 108 - Statutory Receivables (Original - September 2013)

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

The Municipality resolved to develop an accounting policy as set out in note 1.36.

The impact of this Standard on the financial statements will be minimal.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

1.08.2.10 GRAP 109 - Accounting by Principles and Agents(Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

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

1.08.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

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

No significant impact is expected as the Municipality does not have any living

1.08.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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

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

1.09 INVESTMENT PROPERTY

1.09.1 Initial Recognition

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.09 INVESTMENT PROPERTY (CONTINUED)

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

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

1.09.2 Subsequent Measurement – Cost Model

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

1.09.3 Depreciation – Cost Model

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

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

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

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

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

	YEARS
Buildings	100
Land	Indefinite

1.09.4 Impairment

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.09 INVESTMENT PROPERTY (CONTINUED)

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

1.09.5 Derecognition

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

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

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

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 Initial Recognition

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

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

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.10 PROPERTY, PLANT AND EQUIPMENT

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

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

1.10.2 Subsequent Measurement - Cost Model

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

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

1.10.3 Depreciation

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

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

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

1.10.4 Impairment

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

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

1.10.5 Derecognition

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

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

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

1.11 BIOLOGICAL ASSETS

1.11.1 Initial Recognition

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

A biological asset or agricultural produce is recognised when:

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

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

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

1.11.2 Subsequent Measurement

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.11 BIOLOGICAL ASSETS (CONTINUED)

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

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

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

1.12 HERITAGE ASSETS

1.12.1 Initial Recognition

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

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

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

1.12.2 Subsequent Measurement – Cost Model

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

1.12.3 Depreciation

Heritage assets are not depreciated.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.12 HERITAGE ASSETS (CONTINUED)

1.12.4 Impairment

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

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

1.12.5 Derecognition

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

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

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

1.13 INTANGIBLE ASSETS

1.13.1 Initial Recognition

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

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.13 INTANGIBLE ASSETS (CONTINUED)

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

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

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

1.13.2 Subsequent Measurement - Cost Model

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

1.13.3 Amortisation

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

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

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

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

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

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

	Years
Computer Software	5 - 10

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.13 INTANGIBLE ASSETS (CONTINUED)

1.13.4 Impairment

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

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

1.13.5 Derecognition

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

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

1.14 NON-CURRENT INVESTMENTS

Investments include only fixed deposits invested in registered commercial banks.

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

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

1.15 IMPAIRMENT OF NON-MONETARY ASSETS

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

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

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

1.15.1 Recoverable amount of Cash-generating assets

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.15 IMPAIRMENT OF NON-MONETARY ASSETS (CONTINUED)

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

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

1.15.2 Recoverable amount of Non-cash-generating assets

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.15.3 Impairment loss

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

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

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

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

1.15.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.16 INVENTORIES

1.16.1 Initial Recognition

Inventories are assets:

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

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

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

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

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

1.16.2 Subsequent Measurement

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.16 INVENTORIES (CONTINUED)

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

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

1.17 EMPLOYEE BENEFITS

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

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

1.17.1 Post-Retirement Benefits

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

1.17.1.1 *Multi-employer defined benefit plans*

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

1.17.1.2 *Post Retirement Medical Obligations*

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.17 EMPLOYEE BENEFITS (CONTINUED)

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.17.2 Long-term Benefits

1.17.2.1 Long Service Awards

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

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

1.17.3 Short-term Benefits

1.17.3.1 Provision for Staff Leave

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

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

1.17.3.2 Staff Bonuses Accrued

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.17 EMPLOYEE BENEFITS (CONTINUED)

1.17.3.3 Provision for Performance Bonuses

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

1.18 PROVISIONS

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.18 PROVISIONS (CONTINUED)

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

1.19 LEASES

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

1.19.1 Municipality as Lessee

1.19.1.1 Finance Leases

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

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

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

1.19.2 Municipality as Lessor

1.19.2.1 Operating Leases

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.20 FINANCIAL INSTRUMENTS

1.20.1 Initial Recognition

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

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

1.20.2 Subsequent Measurement

Financial instruments are categorised as follow:

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.20.3 Impairment and uncollectability of financial assets

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

1.20.3.1 *Financial assets measured at amortised cost*

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.20.3.2 *Financial assets measured at cost*

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

1.20.4 Derecognition of financial instruments

1.20.4.1 *Financial assets*

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.20 FINANCIAL INSTRUMENTS (CONTINUED)

1.20.4.2 Financial liabilities

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

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.20.5 Offsetting of financial instruments

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

1.21 STATUTORY RECEIVABLES

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

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

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

1.21.3 Impairment and uncollectability of statutory receivables

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.21 STATUTORY RECEIVABLES (CONTINUED)

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

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

1.21.3 Derecognition

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

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

1.22 CASH AND CASH EQUIVALENTS

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

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

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

1.23 RECEIVABLES

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.23 RECEIVABLES (CONTINUED)

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

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

1.24 TAXES (VALUE ADDED TAX)

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

1.25 PAYABLES AND ANNUITY LOANS

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

1.26 CONSUMER DEPOSITS

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

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.27 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS (CONTINUED)

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

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

1.28 REVENUE

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

1.28.1 Revenue from Non-Exchange Transactions

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

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

1.28.1.1 Taxation Revenue

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

1.28.1.2 Transfer Revenue

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.28 REVENUE (CONTINUED)

1.28.1.3 Fines

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

1.28.1.4 Insurance Receipts

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

1.28.1.5 Unclaimed deposits

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

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

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

1.28.1.7 Services in-kind

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

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.28 REVENUE (CONTINUED)

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

1.28.1.8 Contributed Assets

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

1.28.2 Revenue from Exchange Transactions

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

1.28.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.28 REVENUE (CONTINUED)

1.28.2.2 *Investment income*

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

1.28.2.3 *Rental income*

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

1.28.2.4 *Income from Agency Services*

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

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

1.28.2.5 *Other Tariffs*

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

1.28.2.6 *Sale of goods*

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

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

1.28.2.7 *Deferred payment*

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.28 REVENUE (CONTINUED)

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

1.29 BORROWING COSTS

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

1.30 UNAUTHORISED EXPENDITURE

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

1.31 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.33 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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

1.34 CAPITAL COMMITMENTS

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

1.35 EVENTS AFTER REPORTING DATE

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

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

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

1.36 RELATED PARTIES

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

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.36 RELATED PARTIES (CONTINUED)

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

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

1.37.1 Application of Directive 7

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

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

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

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

1.37.2 Impairment of Receivables

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

1.37.3 Useful lives and residual values

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.37.4 Impairment of non-monetary assets

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

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

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

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

1.37.5 Post-Retirement and Long-term Benefits

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

1.37.6 Provisions and Contingent Liabilities

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

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

1.37.7 Financial assets and liabilities

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.37.8 Revenue Recognition

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

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

1.37.9 Revenue Recognition

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

1.38 MERGERS

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

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

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

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	2017 R
2 CASH AND CASH EQUIVALENTS	
Current Accounts	1 676 055
Call Investments and Notice Deposits	19 967 258
Cash Floats	14 764
Total	21 658 077
Due to the short term nature of cash deposits, all balances included above is in line with their fair value.	
Cash and Cash Equivalents are held to support the following commitments:	
Unspent Conditional Grants	17 127 327
Committed for DBSA loan	255 310
Working Capital Requirements	4 275 440
	21 658 077
Primary Bank Account	
First National Bank - Aliwal North Branch - Account Number 6247 6326 965	
Bank Statement Balance - Balance on Merger Date	958 022
Bank Statement Balance - Closing Balance	1 450 787
Cashbook Balance - Balance on Merger Date	1 622 928
Cashbook Balance - Closing Balance	1 479 413
Other Current Accounts	
ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352	
Bank Statement Balance - Balance on Merger Date	8 324
Bank Statement Balance - Closing Balance	7 586
Cashbook Balance - Balance on Merger Date	8 324
Cashbook Balance - Closing Balance	7 586
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125	
Bank Statement Balance - Balance on Merger Date	2 136
Bank Statement Balance - Closing Balance	8 364
Cashbook Balance - Balance on Merger Date	2 136
Cashbook Balance - Closing Balance	8 364

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	2017 R
2 CASH AND CASH EQUIVALENTS (CONTINUED)	
ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037	
Bank Statement Balance - Balance on Merger Date	8 215
Bank Statement Balance - Closing Balance	7 654
Cashbook Balance - Balance on Merger Date	8 215
Cashbook Balance - Closing Balance	7 654
ABSA Bank - Burgersdorp Branch - Account Number 1800 22 0161	
Bank Statement Balance - Balance on Merger Date	749 658
Bank Statement Balance - Closing Balance	279 701
Cashbook Balance - Balance on Merger Date	749 659
Cashbook Balance - Closing Balance	173 038
There are no overdraft facility at any of the bank accounts.	
There are no guarantees held on any of the bank accounts.	
Call Investments and Notice Deposits	
Call Investments and Notice Deposits consist out of the following accounts:	
ABSA 32 Day Notice - Account Number 92 7883 5880	18 886 670
ABSA Call Account - Account Number 92 7435 2868	255 310
First National Bank Call Account - Account Number 62 4822 13247	722 677
ABSA Call Account - Account Number 90 5996 7363	89 381
ABSA Call Account - Account Number 92 7283 1416	4 034
ABSA 32 Day Notice - Account Number 90 6448 9631	7 042
ABSA 32 Day Notice - Account Number 50 6434 4937	2 142
	<hr/>
	19 967 258 <hr/> <hr/>

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2017

	Gross Balance R	Allowance for Impairment R	Net Receivable R
Service Receivables	86 867 865	67 194 752	19 673 112
Electricity	25 880 961	11 291 310	14 589 651
Refuse	44 605 849	40 743 829	3 862 019
Other Arrears	16 381 055	15 159 613	1 221 442
Total	86 867 865	67 194 752	19 673 112

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

2017
R

Ageing of service receivables:

Electricity Ageing

Current (0 - 30 days)	10 422 304
Past Due (31 - 60 Days)	1 714 450
Past Due (61 - 90 Days)	939 230
Past Due (90 Days +)	12 804 977
Total	25 880 961

Refuse Ageing

Current (0 - 30 days)	1 528 770
Past Due (31 - 60 Days)	1 248 683
Past Due (61 - 90 Days)	1 147 817
Past Due (90 Days +)	40 680 579
Total	44 605 849

Other Arrears Ageing

Current (0 - 30 days)	278 153
Past Due (31 - 60 Days)	297 644
Past Due (61 - 90 Days)	180 034
Past Due (90 Days +)	15 625 224
Total	16 381 055

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

3	RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2017 R
	Total Service Receivables Ageing	
	Current (0 - 30 days)	12 229 226
	Past Due (31 - 60 Days)	3 260 777
	Past Due (61 - 90 Days)	2 267 081
	Past Due (90 Days +)	69 110 780
	Total	86 867 865
	Reconciliation of Allowance for impairment	
	Balance recognised on Merger Date	46 281 809
	Contribution to the provision	26 430 419
	Electricity	7 037 959
	Refuse	17 184 496
	Other Arrears	2 207 965
	Bad Debts Written off	(5 517 477)
	Electricity	(2 043 635)
	Refuse	(3 473 842)
	Balance at the end of the period	67 194 752

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

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

30 JUNE 2017

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

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

2017
R

Ageing of service receivables:

Rates Ageing

Current (0 - 30 days)	1 497 356
Past Due (31 - 60 Days)	940 764
Past Due (61 - 90 Days)	631 989
Past Due (90 Days +)	27 362 864
Total	30 432 972

Reconciliation of Allowance for impairment

Balance recognised on Merger Date	15 273 854
Contribution to the provision	11 222 399
Balance at the end of the period	26 496 252

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

5 OPERATING LEASE ASSET

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	2017 R
5 OPERATING LEASE ASSET (CONTINUED)	
The municipality will receive the following lease payments from contracts that have defined lease payments and terms.	
Within 1 Year	1 033
Between 1 and 5 Years	3 977
After 5 Years	6 088
Total	11 098
6 TAXES	
VAT Receivable (In suspense)	46 572 029
VAT Payable to SARS	(959 335)
VAT Payable (In suspense)	(14 562 224)
Total	31 050 470
VAT is payable/receivable on the cash basis. Payments to and claims from SARS only occurs when actual cash flow takes place.	
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies	
7 INVENTORY	
Consumable Stores - Electrical Stock	312 440
Consumable Stores - General Stock	3 964
Total	316 404
Inventory are disclosed at the lower of cost or net realisable value.	
No inventory were pledged as security for liabilities.	
Inventory recognised as an expense during the period	605 300

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

8 NON-CURRENT INVESTMENTS

Fixed Deposits	1 368 838
Total	1 368 838

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

Fixed Deposits consist out of the following accounts:

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

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

9 INVESTMENT PROPERTY

Investment Property - Carrying Value	153 159 502
Total	153 159 502

The movement in investment properties is reconciled as follows:

Carrying value recognised on Merger Date	154 030 241
Cost	174 128 575
Accumulated Depreciation	(20 098 335)
Depreciation for the period	(870 739)
Closing Carrying Value	153 159 502
Cost	174 128 575
Accumulated Depreciation	(20 969 073)

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

10.1 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2017	Cost				Accumulated Depreciation and Impairment				Carrying Value R
	Recognised on Merger Date R	Additions R	Disposals R	Closing Balance R	Recognised on Merger Date R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	148 340 245	170 000	-	148 510 245	55 723 254	1 885 643	-	57 608 897	90 901 348
Land	24 044 018	-	-	24 044 018	-	-	-	-	24 044 018
Buildings	124 296 227	170 000	-	124 466 227	55 723 254	1 885 643	-	57 608 897	66 857 330
Infrastructure	547 689 076	27 242 480	-	574 931 556	226 787 620	19 706 605	-	246 494 225	328 437 331
Roads and Stormwater	389 890 907	20 276 197	-	410 167 104	162 173 259	14 358 828	-	176 532 087	233 635 017
Electricity	154 115 514	6 966 283	-	161 081 797	64 182 906	5 252 343	-	69 435 249	91 646 548
Other	3 682 655	-	-	3 682 655	431 455	95 434	-	526 889	3 155 766
Community Assets	33 924 747	918 615	-	34 843 362	9 437 992	611 218	-	10 049 210	24 794 152
Recreation Grounds and Facilities	29 563 790	918 615	-	30 482 405	7 448 636	445 670	-	7 894 305	22 588 100
Cemetery	4 360 957	-	-	4 360 957	1 989 356	165 549	-	2 154 905	2 206 052
Lease Assets	6 199 197	-	-	6 199 197	6 196 635	952	-	6 197 587	1 610
Office Equipment	6 199 197	-	-	6 199 197	6 196 635	952	-	6 197 587	1 610
Other Assets	25 847 627	895 347	-	26 742 973	13 861 143	2 010 486	-	15 871 629	10 871 344
Furniture, Equipment and Machinery	11 876 874	895 347	-	12 772 221	7 245 598	1 300 552	-	8 546 150	4 226 071
Motor Vehicles and Implements	13 970 752	-	-	13 970 752	6 615 545	709 934	-	7 325 479	6 645 273
Total	762 000 891	29 226 442	-	791 227 333	312 006 644	24 214 905	-	336 221 549	455 005 784

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

10.1 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

	Merger Date R	2017 R
The following work in progress balances are included in PPE. No Depreciation charge is recognised against these amounts.		
Infrastructure - Roads and Stormwater	26 633 302	-
Infrastructure - Electricity	5 820 176	-
Infrastructure - Other	2 984 642	2 984 642
Community Assets - Recreation Grounds	13 528 075	14 446 691
Buildings	7 396 225	7 396 225
Total Work in Progress (WIP)	56 362 420	24 827 558

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
10.2 PROPERTY, PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST	
Capitalised Restoration Cost - Carrying Value	<u><u>7 782 215</u></u>
The movement in capitalised restoration cost is reconciled as follows:	
Carrying value recognised on Merger Date	8 559 075
Cost	15 562 660
Accumulated Depreciation	(7 003 584)
Depreciation for the period	(776 860)
Closing Carrying Value	<u><u>7 782 215</u></u>
Cost	15 562 660
Accumulated Depreciation	(7 780 445)

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

The movement in biological assets is reconciled as follows:

Fair Value recognised on Merger Date	1 283 050
Fair value adjustments - Physical changes and death	1 717 725
Fair value adjustments - Price adjustments	(1 120 525)
Closing Fair Value	1 880 250

Although game prices have come down since merger date, this decline market value of biological assets was offset by the return of a number of buffalos, which broke out of the Aliwal North Nature Reserve during 2015 and 2016. This return saw the number of buffalo under control of the municipality increase from 3 to 18 during the current period.

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

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

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

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

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

-

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2017
R

11 BIOLOGICAL ASSETS (CONTINUED)

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

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

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

Quantity	Asset	Fair Value R	
433	Springbuck	600	259 800
218	Blesbuck	819	178 600
7	White Blesbuck	950	6 650
64	Black Wildebeest	1 239	79 300
2	Impala	900	1 800
45	Gemsbuck	3 500	157 500
62	Redhartebeest	2 200	136 400
23	Eland	3 000	69 000
33	Zebra	3 527	116 400
6	Ostrich	800	4 800
18	Buffalo	48 333	870 000
Total			1 880 250

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

12 HERITAGE ASSETS

Heritage Assets - Cost	2 984 705
Total	2 984 705

There were no movement in heritage assets during the period other than the assets recognised on merger date.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2017
R

12 HERITAGE ASSETS

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

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

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

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

There are no Heritage Assets pledged as security for liabilities

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
13 INTANGIBLE ASSETS	
Intangible Assets - Carrying Value	587 794
Total	587 794

The movement in intangible assets is reconciled as follows:

Carrying value recognised on Merger Date	594 822
Cost	2 903 254
Accumulated Depreciation	(2 308 432)
Additions	166 770
Amortisation for the period	(173 798)
Closing Carrying Value	587 794
Cost	3 070 024
Accumulated Depreciation	(2 482 230)

Intangible Assets consist only out of software

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

14 LONG-TERM LIABILITIES

14.1 ANNUITY LOANS

Annuity Loans	3 830 619
Less: Current portion	(606 427)
Sub-total	3 224 191
Unamortised Loan Charges	(1 013 971)
Balance recognised on Merger Date	(1 190 440)
Unwinding of discounted interest	176 469
Total	2 210 221

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

14.2 HIRE PURCHASES

Hire Purchases	1 148 488
Less: Current portion	(620 658)
Total	527 830

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

14 LONG-TERM LIABILITIES (CONTINUED)

Assets and liabilities associated with hire purchase contracts:

Nr		Carrying Value	
		Asset 2017 R	Liability 2017 R
1	ABSA (TATA Water Truck)	816 586	99 971
2	ABSA (Nissan UD 330)	439 297	299 349
3	ABSA (Isuzu KB 200I)	97 907	30 861
4	FNB (CHEVROLET TRAILBLAZER)	357 175	336 593
5	FNB (NISSAN NP200 1.6)	123 808	118 359
6	FNB (Chevrolet Aveo)	130 411	131 677
7	FNB (Chevrolet Aveo)	130 411	131 677
		2 095 593	1 148 488
		2 095 593	1 148 488

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

Hire Purchases are payable as follows:

Payable within one year	704 988
Payable within two to five years	589 495
Total amount payable	1 294 482
Less: Outstanding Future Finance Charges	(145 994)
Present value of Hire Purchases	1 148 488

15 CONSUMER DEPOSITS

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
16 PAYABLES FROM EXCHANGE TRANSACTIONS	
Trade Payables	199 578 776
Retentions	3 712 142
Interest Accrued	57 091
Pre-paid electricity	2 431 933
Payments received in advance	5 145 913
Joe Gqabi District Municipality (Water and Sanitation)	3 482 045
Unallocated Deposits	564 429
Other Creditors	35 559 031
Sundry deposits	1 539 058
Total	252 070 419

Payables are being recognised net of any discounts received

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

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

17 UNSPENT CONDITIONAL GOVERNMENT GRANTS	
National Government	12 088 219
Provincial Government	3 549 222
District Municipality	1 489 886
Total	17 127 327

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
18 CURRENT EMPLOYEE BENEFITS	
Post Retirement Medical Benefits	697 582
Long Service Awards	482 732
Performance Bonuses	1 523 393
Bonuses	2 227 241
Staff Leave	9 656 215
Total	14 587 162

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance on Merger Date	932 471
Contribution during the period	590 922
Closing Balance	1 523 393

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

Bonuses

Balance on Merger Date	2 202 044
Contribution during the period	3 956 027
Payments made	(3 930 831)
Closing Balance	2 227 241

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
18	
CURRENT EMPLOYEE BENEFITS (CONTINUED)	
<u>Staff Leave</u>	
Balance on Merger Date	7 388 758
Contribution during the period	3 187 178
Payments made	(919 721)
Closing Balance	9 656 215

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

19	
PROVISIONS	
Compensation for injuries on duty contribution	894 400
Total	894 400

The movement in provisions are reconciled as follows:

Compensation for injuries on duty contribution

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
20 EMPLOYEE BENEFITS	
Post Retirement Medical Benefits	24 296 535
Long Service Awards	4 299 784
Sub-Total	28 596 319
Less: Current portion of Employee Benefits	1 180 314
Post Retirement Medical Benefits	697 582
Long Service Awards	482 732
Total	27 416 005

20.1 Post Retirement Medical Benefits

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

Balance on Merger Date	28 489 414
Contribution during the period	3 512 326
Current Service Cost	1 243 120
Interest Cost	2 269 206
Payments made	(253 483)
Actuarial Gain	(7 451 723)
Total balance at period-end	24 296 535
Less Current Portion	697 582
Total	23 598 953

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

	2017
In-service members	140
In-service non-members	227
Continuation members	18
Total	385

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

The entity was established on 6 August 2016. No comparative information relating to historical liabilities and experience adjustments is available for disclosure as required by GRAP 25.

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

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

Key Actuarial Assumptions used are as follows:

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

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

Mortality Rates

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

Normal Retirement Age

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

Last Valuation

The last valuation was performed on 27 August 2017.

Actuarial Valuation Method

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

20 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Liability at period end

Assumption	In-service members (Rm)	Continuation members (Rm)	Total liability (Rm)	% change
Liability	15.923	8.374	24.297	
Health care inflation				
+ 1%	19.382	9.229	28.611	18%
- 1%	13.208	7.639	20.847	-14%
Discount rate				
+ 1%	13.267	7.656	20.923	-14%
- 1%	19.356	9.222	28.578	18%
Post-retirement mortality				
- 1 year	16.444	8.703	25.147	4%
Average retirement age				
- 1 year	17.217	8.374	25.591	5%
Continuation of membership at retirement				
- 10%	12.037	8.374	20.411	-16%

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

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost	1.173	2.343	3.516	
Health care inflation				
+ 1%	1.478	2.765	4.243	21%
- 1%	0.940	2.006	2.946	-16%
Discount rate				
+ 1%	0.953	2.219	3.173	-10%
- 1%	1.462	2.480	3.942	12%
Post-retirement mortality				
- 1 year	1.211	2.427	3.637	3%
Average retirement age				
- 1 year	1.194	2.470	3.663	4%
Continuation of membership at retirement				
- 10%	0.868	1.963	2.832	-19%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
20 EMPLOYEE BENEFITS (CONTINUED)	
20.2 Long Service Awards	
The movement in Long Service Awards are reconciled as follows:	
Opening Balance	4 247 908
Contribution during the period	809 120
Current Service Cost	510 829
Interest Cost	298 291
Payments made	(250 858)
Actuarial Gain	(506 386)
Total balance at period-end	4 299 784
Less Current Portion	482 732
Total	3 817 052

The following members are eligible for long service bonuses:

	2017
In-service members	367

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

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

The entity was established on 6 August 2016. No comparative information relating to historical liabilities and experience adjustments is available for disclosure as required by GRAP 25.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

20 EMPLOYEE BENEFITS (CONTINUED)

2017

Key Actuarial Assumptions used are as follows:

Interest Rates

Discount rate	8.36%
General Salary Inflation (long-term)	6.18%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%

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

Last Valuation

The last valuation was performed on 27 August 2017.

Actuarial Valuation Method

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

Sensitivity Analysis - Liability at period-end

Assumption	Total liability (Rm)	% change
Liability	4.300	
General salary inflation		
+ 1%	4.552	6%
- 1%	4.069	-5%
Discount rate		
+ 1%	4.060	-6%
- 1%	4.567	6%
Average retirement age		
- 2 years	4.025	-6%
+ 2 years	4.566	6%
Withdrawal rates		
- 50%	5.174	20%

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

20 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	Current Service		Total Cost (Rm)	% change
	Cost (Rm)	Interest Cost (Rm)		
Future Cost	0.532	0.340	0.871	
General salary inflation				
+ 1%	0.567	0.361	0.928	6%
- 1%	0.500	0.321	0.820	-6%
Discount rate				
+ 1%	0.503	0.358	0.861	-1%
- 1%	0.563	0.319	0.882	1%
Average retirement age				
- 2 years	0.508	0.317	0.824	-5%
+ 2 years	0.558	0.362	0.920	6%
Withdrawal rates				
- 50%	0.671	0.413	1.084	24%

20.3 Other Pension Benefits

Defined Contribution Plans

2017
R

Council contributes to the following defined contribution plans:

SALA Pension Fund	3 650 799
Cape Joint Retirement Fund	2 377 473
SAMWU National Provident Fund	1 016 627
Municipal Workers Retirement Fund	1 389 720
Total	8 434 618

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017
	R
21 NON-CURRENT PROVISIONS	
Rehabilitation Provision - Landfill Sites	24 459 033
Total	24 459 033

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

Balance on Merger Date	23 859 547
Contribution during the Period	599 486
Interest Cost	599 486
Total	24 459 033

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

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

Site	Expected Closure Date	
Aliwal North	2020	8 963 560
Burgersdorp	2044	6 160 204
Jamestown	2029	3 581 993
Steynsburg	2021	2 538 462
Venterstad	2051	3 214 815
Total		24 459 033

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

21 NON-CURRENT PROVISIONS (CONTINUED)

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

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

2017

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

Aliwal North	21 020
Burgersdorp	11 800
Jamestown	5 914
Steynsburg	2 625
Venterstad	3 022

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

Aliwal North	426
Burgersdorp	522
Jamestown	606
Steynsburg	967
Venterstad	1 064

2017

R

22 RESERVES

Accumulated Surplus	365 586 819
Total	365 586 819

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
23	
PROPERTY RATES	
Total Property Rates	18 661 347
Total	18 661 347

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

Former Maletswai Local Municipality

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

Former Gariiep Local Municipality

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2017
R

23 PROPERTY RATES (CONTINUED)

The following rates are applicable to the valuations above:	Former Gariep Local Municipality	Former Maletswai Local Municipality
Residential Properties	1.078539c/R	0.8644c/R
Residential Properties-mixed use	1.682840c/R	0.0000c/R
Commercial/Business an Industrial Properties	0.235981c/R	1.0373c/R
Public Service Infrastructure properties	0.0000c/R	0.2161c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.126223c/R	0.2161c/R
Agricultural Properties used for Commercial/Industrial purposes	0.0000c/R	0.4322c/R
Agricultural Properties used for Hunting/Trading of Game	0.0000c/R	0.4322c/R
State Owned properties	3.097541c/R	0.8644c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	0.0000c/R	1.7289c/R
Vacant Properties	2.243911c/R	1.7289c/R

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

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

Indigents (Valuation exemption)	65 000
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WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2017 R
24	GOVERNMENT GRANTS AND SUBSIDIES	
	Unconditional Grants - National Government	43 290 000
	Equitable Share	43 290 000
	Conditional Grants - National Government	43 847 752
	Financial Management Grant (FMG)	3 715 022
	Municipal Infrastructure Grant (MIG)	26 496 488
	Skills Development Fund	91 288
	Integrated National Electrification Programme (INEP)	5 000 000
	Energy Efficiency and Demand Side Management Grant	511 967
	Expanded Public Works Program (EPWP)	2 438 000
	Municipal Demarcation and Transition Grant	5 594 987
	Conditional Grants - Provincial Government	2 947 000
	Library Grant	1 947 000
	ECDLGTA - Greening and Beautification	1 000 000
	Conditional Grants - District Municipality	1 166 492
	Joe Gqabi District Municipality Grant	1 166 492
	Total	91 251 244
	Disclosed as:	
	Government Grants and Subsidies - Capital	27 911 207
	Government Grants and Subsidies - Operating	63 340 037
	Total	91 251 244
	Grants per Vote (MFMA Sec 123 (c)):	
	Equitable share	43 290 000
	Budget and Treasury Office	8 467 303
	Community and Social Services	1 947 000
	Executive and Council	4 986 450
	Road Transport	26 340 948
	Sport and Recreation	397 800
	Waste Management	986 684
	Electricity	4 835 059
	Total	91 251 244

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	
24.08 Municipal Demarcation and Transition Grant	
Grants Received	15 428 000
Transferred to Revenue - Operating	(5 594 987)
Closing Unspent Balance	<u>9 833 013</u>
<p>To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.</p>	
24.09 Housing Grants	
Unspent Balance on Merger Date	<u>2 318 301</u>
Closing Unspent Balance	<u>2 318 301</u>
<p>The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improved quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.</p>	
24.10 Joe Gqabi District Municipality Grant	
Unspent Balance on Merger Date	76 500
Grants Received	2 579 878
Transferred to Revenue - Capital	(1 042 028)
Transferred to Revenue - Operating	(124 464)
Closing Unspent Balance	<u>1 489 886</u>
<p>The grant is allocated for the following purposes:</p> <ul style="list-style-type: none">- Street refurbishment Aliwal North- Fencing of Community Hall- Sports track upgrading	
24.11 Other Provincial Allocations	
Unspent Balance on Merger Date	1 230 921
Grants Received	2 947 000
Transferred to Revenue - Operating	(2 947 000)
Closing Unspent Balance	<u>1 230 921</u>

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2017
R

24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

Other Provincial Allocations includes grants such as:

- Spatial Development Plan
- Land Survey Management
- LED Garden Project Jamestown
- JL De Bruin Grant
- Other DPLG Funding
- Library Grant
- Greening and Beautification Grant

24.12 Total Grants

Unspent Balance on Merger Date	6 157 382
Grants Received	103 161 166
Transferred to Revenue - Capital	(27 911 207)
Transferred to Revenue - Operating	(63 340 037)
Transferred from Receivables	(119 978)
Returned to National Revenue Fund	(820 000)
Closing Unspent Balance	17 127 327

25 FINES

Traffic Fines	345 976
Library Fines	1 714
Meter Tampering	111 564
Total	459 253

26 ACTUARIAL GAINS

Post Retirement Medical Benefits	7 451 723
Long Service Awards	506 386
Total	7 958 108

27 FAIR VALUE ADJUSTMENTS

Biological Assets	597 200
Total	597 200

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
28 SERVICE CHARGES	
Electricity Revenue	81 803 993
Refuse Removal Revenue	19 224 353
Total Revenue	101 028 346
Less: Rebates	(9 823 064)
Electricity Revenue	(5 527 336)
Refuse Removal Revenue	(4 295 728)
Total	91 205 282
<p>Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.</p>	
29 INTEREST EARNED - OUTSTANDING DEBTORS	
Interest Earned - Service Debtors	4 173 683
Interest Earned - Penalty Interest on Property Rates	944 814
Total	5 118 497
30 LICENCES AND PERMITS	
Drivers License Fees	1 426 276
Public License Fees	98 028
Roadworthy Certificates	73 276
Special Permits	42 058
Vehicle License Fees	1 315 737
Vehicle Registration Fees	270 550
Total	3 225 925
31 AGENCY SERVICES	
Commission on collections	1 267 028
Prodiba Fees	351 495
Total	1 618 523
32 OTHER INCOME	
Admission Fees	309 504
Encroachment Fees	103 714
Sundry Income	689 581
Building Plan & Inspection Fees	90 426
Electricity Re-Connection Fees	342 682
Cemetery Fees	306 348
Total	1 842 255

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

33	EMPLOYEE RELATED COSTS	2017 R
	Basic Salaries and Wages	48 103 354
	Pension and UIF Contributions	8 852 357
	Medical Aid Contributions	2 911 768
	Overtime	1 546 982
	Performance Bonus	590 922
	Bonuses	3 956 027
	Motor Vehicle Allowance	2 540 922
	Cellphone Allowance	158 316
	Housing Allowances	551 315
	Standby Allowance	1 125 285
	Provision for compensation for injuries on duty	628 387
	Provision for leave	3 187 178
	Acting Allowance	212 378
	Skills Development Levy	679 683
	Industrial Council Levy	32 815
	Long service awards	510 829
	Post Retirement Medical Benefits	1 243 120
	Total	76 831 637
	Remuneration of Key Personnel	
	All Managers are appointed on a 5-year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:	
	Remuneration of the Municipal Manager - M P Nonjola (up to 31 October 2016)	
	Basic Salary	230 942
	Other benefits and allowances	269 416
	Total	500 358
	Remuneration of the Municipal Manager - T A Mawonga (6 August to 30 June 2017)	
	Basic Salary	910 584
	Other benefits and allowances	327 223
	Total	1 237 807
	Remuneration of the Community and Social Services - NBB Mokhantso	
	Basic Salary	442 380
	Other benefits and allowances	479 096
	Total	921 476
	Remuneration of the Corporate and Support Services - ZE Pungwani	
	Basic Salary	535 209
	Other benefits and allowances	318 997
	Total	854 206

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2017 R
33	EMPLOYEE RELATED COSTS (CONTINUED)	
	Remuneration of the Technical Services - Z Nongene	
	Basic Salary	534 468
	Other benefits and allowances	237 939
	Total	772 407
	Remuneration of the Chief Financial Officer - T Maseko (Up to 30 April 2017)	
	Basic Salary	433 347
	Other benefits and allowances	354 357
	Total	787 703
34	REMUNERATION OF COUNCILLORS	
	Councillors	5 331 112
	Travelling allowance	64 320
	Telephone allowance	487 215
	Total	5 882 648
	Remuneration per Councillor	
	Cllr B Khweyiya Executive Mayor	640 888
	Cllr KS Lange Speaker	521 450
	Cllr E Theron PR Councillor	213 931
	Cllr VA Schoeman PR Councillor	213 931
	Cllr N Ngubo PR Councillor	282 712
	Cllr MB Mtshingana PR Councillor	212 818
	Cllr M Jan PR Councillor	255 095
	Cllr DF Hartkopf PR Councillor	282 712
	Cllr VD Davids PR Councillor	282 712
	Cllr M De Ridder Nel PR Councillor	213 931
	Cllr M Van Heerden PR Councillor	213 931
	Cllr Y Zweni PR Councillor	257 110
	Cllr Z Mangali Ward 1 Councillor	211 374
	Cllr Z Mqokrwana Ward 2 Councillor	261 481
	Cllr BM Ndika Ward 3 Councillor	265 899
	Cllr M Solani Ward 4 Councillor	265 899
	Cllr L Nkunzi Ward 5 Councillor	213 961
	Cllr ZE Masina Ward 6 Councillor	217 323
	Cllr M Mdumisa Ward 7 Councillor	213 816
	Cllr X Mabusela Ward 8 Councillor	213 931
	Cllr D De Jongh Ward 9 Councillor	213 931
	Cllr MW Mokhoabane Ward 10 Councillor	213 816
	Total	5 882 648

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
35 DEBT IMPAIRMENT	
Receivables from exchange transactions	26 430 419
Receivables from non-exchange transactions	11 222 399
Total Debt Impairment	37 652 818
Movement in VAT included in debt impairment	(1 475 276)
Total	36 177 542
36 DEPRECIATION AND AMORTISATION	
Investment Property	870 739
Property, Plant and Equipment	24 214 905
Property, Plant and Equipment - Capitalised Restoration Cost	776 860
Intangible Assets	173 798
Total	26 036 302
37 REPAIRS AND MAINTENANCE	
Land and Buildings	1 749 948
Investment Property	32 352
Tools and equipment	51 567
Furniture and office equipment	107 115
Vehicles and Implements	1 037 833
Streets and stormwater	305 123
Landfill Site	96 620
Electricity Reticulation	499 231
Swimming Pool	24 733
Fencing	74
Street Lights	106 069
Total	4 010 665
38 FINANCE CHARGES	
Annuity Loans	360 529
Actual Payments	184 059
Unwinding of discounted interest	176 469
Hire Purchases	143 474
Rehabilitation Provision - Landfill Sites	599 486
Post Retirement Medical Benefits	2 269 206
Long Service Awards	298 291
Overdraft Facilities	37
Interest on Overdue Accounts	8 235 990
Total	11 907 013

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017
	R
39 BULK PURCHASES	
Electricity	70 593 781
Total	70 593 781
40 TRANSFERS AND GRANTS	
Indigent Subsidies	191 813
Total	191 813
41 OPERATING GRANT EXPENDITURE	
Expanded Public Works Program	2 438 000
Financial and Systems Management	3 886 620
Municipal Demarcation and Transition Grant	4 644 052
Valuation Costs	144 923
Total	11 113 594
42 OTHER EXPENDITURE	
Advertisements	161 110
Audit Fees	6 327 584
Bank Charges and other related costs	363 139
Books, Publications and magazines	2 078
Cleaning Materials and Chemicals	94 560
Commission Prepaid Vendors	1 286 170
Electricity (Eskom)	810 415
Insurance	1 120 260
Integrated development planning	7 120
Legal Costs	1 656 938
License Fees	2 147 757
Local Government Activities	186 432
Membership Fees	21 050
Postage	9 592
Printing and Stationary	941 269
Professional Services	144 972
Projects from own funds	197 725
Protective Clothing	50 774
Security Services	2 026 299
Subsistence and Travelling	1 336 250
Telephone Charges	1 641 296
Training	289 875
Transport Costs	829
Vehicle: Fuel & Oil	1 428 743
Water Purchases	58
General Expenses	2 219 319
Total	24 471 614

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2017
R

43 ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE

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

The Walter Sisulu Local Municipality was subsequently established by the amalgamation of the aforementioned municipalities. Operations in the Walter Sisulu Local Municipality commenced on 6 August 2016 and the following assets and liabilities were transferred from the combining entities:

	Maletswai Local Municipality R	Gariiep Local Municipality R	Walter Sisulu Local Municipality R
ASSETS			
Current Assets	35 810 318	45 913 488	81 723 806
Cash and Cash Equivalents	2 243 411	1 286 164	3 529 575
Receivables from exchange transactions	11 909 632	17 221 884	29 131 516
Receivables from non-exchange transactions	13 735 638	16 869 312	30 604 950
Operating Lease Asset	-	-	-
Taxes	7 645 033	10 532 165	18 177 198
Inventory	276 604	3 964	280 568
Non-Current Assets	274 007 885	336 720 216	610 728 100
Non-Current Investments	833 637	-	833 637
Investment Property	46 903 142	107 203 560	154 106 702
Property, Plant and Equipment	222 293 288	228 631 897	450 925 185
Property, Plant and Equipment - Capitalised Restoration Cost	-	-	-
Biological Assets	1 214 800	68 250	1 283 050
Heritage Assets	2 321 543	663 162	2 984 705
Intangible Assets	441 475	153 347	594 822
Total Assets	309 818 203	382 633 704	692 451 907

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

43 ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	Maletswai Local Municipality R	Gariiep Local Municipality R	Walter Sisulu Local Municipality R
Current Liabilities	113 595 251	132 547 370	246 142 622
Annuity Loans	232 729	-	232 729
Hire Purchases	766 401	-	766 401
Current portion of Long Term Liabilities	-	342 976	342 976
Consumer Deposits	1 869 193	158 599	2 027 792
Deferred Revenue	11 672 063	7 117 888	18 789 951
Payables from exchange transactions	86 621 584	71 521 453	158 143 037
Payables from non-exchange transactions	-	49 706 621	49 706 621
Unspent Conditional Government Grants	3 832 722	2 556 575	6 389 297
Current Employee benefits Provisions	8 251 121 349 439	- 1 143 258	8 251 121 1 492 697
Non-Current Liabilities	20 488 017	21 864 398	42 352 414
Annuity Loans	2 184 916	-	2 184 916
Hire Purchases	1 030 870	-	1 030 870
Long-Term Liabilities	-	572 775	572 775
Employee benefits	12 524 897	18 511 730	31 036 627
Non-Current Provisions	4 747 334	2 779 893	7 527 227
Total Liabilities	134 083 268	154 411 768	288 495 036
NET ASSETS	175 734 935	228 221 936	403 956 871
COMMUNITY WEALTH			
Accumulated Surplus	175 734 935	228 221 936	403 956 871

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE

In line with GRAP 107, paragraphs 22 and 23, the following differences between the carrying amounts of the assets acquired and the liabilities assumed, including any inconsistencies between the basis employed relating to these assets and liabilities, were identified:

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	Assets Acquired and Liabilities assumed on Merger Date R	Adjustments to Carrying Value on Merger Date R	Adjusted Value Recognised on Merger Date R
ASSETS			
Current Assets	81 723 806	10 023 987	91 747 793
Cash and Cash Equivalents	3 529 575	(368 504)	3 161 071
Receivables from exchange transactions	29 131 516	(1 076 101)	28 055 415
Receivables from non-exchange transactions	30 604 950	5 764 837	36 369 786
Operating Lease Asset	-	-	-
Taxes	18 177 198	5 703 755	23 880 953
Inventory	280 568	-	280 568
Non-Current Assets	610 728 100	7 995 345	618 723 445
Non-Current Investments	833 637	443 669	1 277 306
Investment Property	154 106 702	(76 461)	154 030 241
Property, Plant and Equipment	450 925 185	(930 938)	449 994 247
Property, Plant and Equipment - Capitalised Restoration Cost	-	8 559 075	8 559 075
Biological Assets	1 283 050	-	1 283 050
Heritage Assets	2 984 705	-	2 984 705
Intangible Assets	594 822	-	594 822
Total Assets	692 451 907	18 019 332	710 471 238
Current Liabilities	246 142 622	(1 884 821)	244 257 801
Annuity Loans	232 729	342 976	575 705
Hire Purchases	766 401	-	766 401
Current portion of Long Term Liabilities	342 976	(342 976)	-
Consumer Deposits	2 027 792	-	2 027 792
Deferred Revenue	18 789 951	-	18 789 951
Payables from exchange transactions	158 143 037	45 592 512	203 735 549
Payables from non-exchange transactions	49 706 621	(49 706 621)	-
Unspent Conditional Government Grants	6 389 297	(231 915)	6 157 382
Current Employee benefits	8 251 121	3 604 461	11 855 581
Provisions	1 492 697	(1 143 258)	349 439

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTNUED)

	Assets Acquired and Liabilities assumed on Merger Date R	Adjustments to Carrying Value on Merger Date R	Adjusted Value Recognised on Merger Date R
Non-Current Liabilities	42 352 414	16 584 697	58 937 111
Annuity Loans	2 184 916	456 764	2 641 680
Hire Purchases	1 030 870	-	1 030 870
Long-Term Liabilities	572 775	(572 775)	-
Employee benefits	31 036 627	368 386	31 405 013
Non-Current Provisions	7 527 227	16 332 321	23 859 547
Total Liabilities	288 495 036	14 699 876	303 194 912
NET ASSETS	403 956 871	3 319 456	407 276 327
COMMUNITY WEALTH			
Accumulated Surplus	403 956 871	3 319 456	407 276 327

DETAIL OF ADJUSTMENTS TO CARRYING VALUE ON MERGER DATE

44.01 CASH AND CASH EQUIVALENTS

6 AUGUST 2016
R

Unsupported difference between trial balance and financial statements on 6 August 2016 (Gariep Local Municipality)	(25 754)
Correction of interest on investments previously not accounted for up to 6 August 2016 (Gariep Local Municipality)	51 408
Reallocate fixed deposit of Long Term nature to Non-Current Investments (Gariep Local Municipality)	(443 669)
Reversal of unsupported withdrawal recognised against cash suspense account (Gariep Local Municipality)	50 000
Correct immaterial difference identified on Call Accounts on merger date (Gariep Local Municipality)	(490)
Total adjustment on Merger Date	(368 504)

44.02 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Recognise corrections on merger date identified in current period	(356 010)
Remove unsupported control accounts and discrepancies on control accounts on merger date (Gariep Local Municipality)	(620 761)
Correct outstanding receivables in line with supporting sub-ledgers on merger date (Gariep Local Municipality)	1 510 723
Recognise payments in advance on merger date in line with supporting sub-ledgers (Gariep Local Municipality)	1 495 654

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	6 AUGUST 2016
	R
Debtors control vote incorrectly included as part of Taxes (Gariep Local Municipality)	(6 050 976)
Recognise electricity consumption up to merger date only billed after merger date (Gariep Local Municipality)	2 945 269
Total adjustment on Merger Date	(1 076 101)
44.03 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	
Unsupported difference between trial balance and financial statements on 6 August 2016 (Gariep Local Municipality)	25 389
Recognise corrections on merger date identified in current period	71 445
Correct outstanding receivables in line with supporting sub-ledgers on merger date (Gariep Local Municipality)	7 629 302
Recognise payments in advance on merger date in line with supporting sub-ledgers (Gariep Local Municipality)	1 499 004
Remove unsupported balances on cash suspense accounts not taken forward into merger	(3 460 303)
Total adjustment on Merger Date	5 764 837
44.04 TAXES	
Unsupported difference between trial balance and financial statements on 6 August 2016 (Gariep Local Municipality)	45
Eskom Accrual incorrectly allocated to Taxes (Maletswai Local Municipality)	101 564
Debtors control vote incorrectly included as part of Taxes (Gariep Local Municipality)	6 050 976
Correct VAT on outstanding debtors on merger date in line with supporting ledger (Gariep Local Municipality)	(3 388 131)
Impair portion of outstanding output VAT on debtors recognised on merger date (Gariep Local Municipality)	2 835 296
Recognise Roads WIP expenditure previously not recognised (Maletswai Local Municipality)	104 006
Total adjustment on Merger Date	5 703 755
44.05 NON-CURRENT INVESTMENTS	
Reallocate fixed deposit of Long Term nature to Non-Current Investments (Gariep Local Municipality)	443 669
Total adjustment on Merger Date	443 669

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

6 AUGUST 2016
R

44.06 INVESTMENT PROPERTY

Land disposed of during period ending 6 August 2016 incorrectly not removed from asset register (Gariep Local Municipality)

(76 461)

Total adjustment on Merger Date

(76 461)

44.07 PROPERTY PLANT AND EQUIPMENT

Reallocate asset relating to landfill site rehabilitation cost to separate line on statement of financial position (Gariep Local Municipality)

(1 648 646)

Correction of depreciation relating to movable assets (R 426 580) previously included as part of Work in Progress (Buildings) (Gariep Local Municipality)

(25 192)

Recognise Roads WIP expenditure previously not recognised (Maletswai Local Municipality)

742 899

Total adjustment on Merger Date

(930 938)

44.08 PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COST

Reallocate asset relating to landfill site rehabilitation cost to separate line on statement of financial position (Gariep Local Municipality)

1 648 646

Alignment on landfill site provision and related asset to estimates on merger date, taking into account new capping design requirements as well as principles included in iGRAP 2

6 910 429

Total adjustment on Merger Date

8 559 075

44.09 ANNUITY LOANS (CURRENT)

Reallocate current portion of long term liabilities (consisting only of annuity loans) in line with the disclosure of former Maletswai Local Municipality (Gariep Local Municipality)

342 976

Total adjustment on Merger Date

342 976

44.10 CURRENT PORTION OF LONG TERM LIABILITIES

Reallocate current portion of long term liabilities (consisting only of annuity loans) in line with the disclosure of former Maletswai Local Municipality (Gariep Local Municipality)

(342 976)

Total adjustment on Merger Date

(342 976)

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

6 AUGUST 2016
R

44.11 PAYABLES FROM EXCHANGE TRANSACTIONS

Correction of opening balances not aligned to 30 June 2016 audited financial statements (Gariep Local Municipality)	(3 344 230)
Accrued interest, not yet capitalised on 6 August 2016, incorrectly included as part of annuity balance (Gariep Local Municipality)	16 126
Correction of assistance received from COGHTA during the period up to 6 August 2016 (Eskom payment on behalf of Gariep Local Municipality)	3 090 125
Recognise payables previously not recognised on 6 August 2016 (Maletswai Local Municipality)	312 860
Payables from non-exchange transactions not defined as a minimum disclosure requirement in GRAP 1. Balance reallocated to Payables from Exchange Transactions (Gariep Local Municipality)	46 286 820
Account for salary expense accrued for up to 6 August 2016 (Gariep Local Municipality)	724 822
Councillors Remuneration incorrectly accounted for up to merger date (Maletswai Local Municipality)	15 068
Eskom Accrual incorrectly allocated to Taxes (Maletswai Local Municipality)	101 564
Reversal of unsupported withdrawal recognised against cash suspense account (Gariep Local Municipality)	50 000
Reversal of unsupported balance included as part of payments in advance on merger date (Gariep Local Municipality)	(4 934 580)
Recognise payments in advance on merger date in line with supporting sub-ledgers (Gariep Local Municipality)	2 994 658
Recognise Roads WIP expenditure previously not recognised (Maletswai Local Municipality)	846 905
Remove unsupported balances on cash suspense accounts not taken forward into merger	(1 250 554)
Recognise unused pre-paid electricity on merger date (Gariep Local Municipality)	682 928
Total adjustment on Merger Date	45 592 512

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

6 AUGUST 2016
R

44.12 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Current Employee Benefits (Staff Leave and Bonuses) incorrectly included as part of payables (Gariep Local Municipality)	(3 419 801)
Payables from non-exchange transactions not defined as a minimum disclosure requirement in GRAP 1. Balance reallocated to Payables from Exchange Transactions (Gariep Local Municipality)	(46 286 820)
Total adjustment on Merger Date	(49 706 621)

44.13 UNSPENT CONDITIONAL GOVERNMENT GRANTS

Correction of MSIG returned to National Treasury during 2015/2016 (Gariep Local Municipality)	(231 915)
Total adjustment on Merger Date	(231 915)

44.14 CURRENT EMPLOYEE BENEFITS

Employee related liabilities incorrectly included as part of Provisions (Bonuses, Long Service Awards and Post Retirement Medical Benefits) (Gariep Local Municipality)	1 143 258
Correction of current portion of Post Retirement Medical Benefits on 6 August 2016 (Gariep Local Municipality)	3 014
Correction of current portion of Long Service Awards on 6 August 2016 (Gariep Local Municipality)	(157 819)
Current Employee Benefits (Staff Leave and Bonuses) incorrectly included as part of payables (Gariep Local Municipality)	3 419 801
Account for bonuses previously not accrued for between 30 June 2016 and merger date (Gariep Local Municipality)	152 645
Correct duplicated leave provision recognised during 2015/2016 Maletswai Local Municipality)	(988 162)
Account for performance bonuses previously not accrued for between 30 June 2016 and merger date (Gariep Local Municipality)	31 725
Total adjustment on Merger Date	3 604 461

44.15 PROVISIONS

Employee related liabilities incorrectly included as part of Provisions (Bonuses, Long Service Awards and Post Retirement Medical Benefits) (Gariep Local Municipality)	(1 143 258)
Total adjustment on Merger Date	(1 143 258)

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

6 AUGUST 2016
R

44.16 LONG-TERM LIABILITIES - ANNUITY LOANS

Correction of interest and redemption charges recognised up to 6 August 2016 on DBSA Loan (Gariep Local Municipality)	(5 597)
Unamortised loan charges previously not recognised on low interest rate loan taken up from DBSA during 2008/2009 (Gariep Local Municipality)	(94 287)
Accrued interest, not yet capitalised on 6 August 2016, incorrectly included as part of annuity balance (Gariep Local Municipality)	(16 126)
Reallocate long term liabilities (consisting only of annuity loans) in line with the disclosure of former Maletswai Local Municipality (Gariep Local Municipality)	572 775
Total adjustment on Merger Date	456 764

44.17 LONG-TERM LIABILITIES

Reallocate long term liabilities (consisting only of annuity loans) in line with the disclosure of former Maletswai Local Municipality (Gariep Local Municipality)	(572 775)
Total adjustment on Merger Date	(572 775)

44.16 EMPLOYEE BENEFITS

Correction of current portion of Long Service Awards on 6 August 2016 (Gariep Local Municipality)	157 819
Correction of current portion of Post Retirement Medical Benefits on 6 August 2016 (Gariep Local Municipality)	(3 014)
Account for movement (Interest and Current Service Cost) on Post Retirement Medical Benefits for the period ending 6 August 2016 (Gariep Local Municipality)	191 004
Account for movement (Interest and Current Service Cost) on Long service awards for the period ending 6 August 2016 (Gariep Local Municipality)	22 576
Total adjustment on Merger Date	368 386

44.18 NON-CURRENT PROVISIONS

Align landfill site provision on merger date to latest valuations that includes new capping design requirement previously not included	16 332 321
Total adjustment on Merger Date	16 332 321

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	6 AUGUST 2016 R
44.19 ACCUMULATED SURPLUS	
Correction of opening balances not aligned to 30 June 2016 audited financial statements (Gariep Local Municipality)	3 344 230
Unsupported difference between trial balance and financial statements on 6 August 2016 (Gariep Local Municipality)	(320)
Account for movement (Interest and Current Service Cost) on Post Retirement Medical Benefits for the period ending 6 August 2016 (Gariep Local Municipality)	(191 004)
Account for movement (Interest and Current Service Cost) on Long service awards for the period ending 6 August 2016 (Gariep Local Municipality)	(22 576)
Correction of interest and redemption charges recognised up to 6 August 2016 on DBSA Loan (Gariep Local Municipality)	5 597
Unamortised loan charges previously not recognised on low interest rate loan taken up from DBSA during 2008/2009 (Gariep Local Municipality)	94 287
Correction of assistance received from COGHTA during the period up to 6 August 2016 (Eskom payment on behalf of Gariep Local Municipality)	(3 090 125)
Recognise corrections on merger date identified in current period	(284 565)
Recognise payables previously not recognised on 6 August 2016 (Maletswai Local Municipality)	(312 860)
Alignment on landfill site provision and related asset to estimates on merger date, taking into account new capping design requirements as well as principles included in iGRAP 2	(9 421 891)
Correction of interest on investments previously not accounted for up to 6 August 2016 (Gariep Local Municipality)	51 408
Land disposed of during period ending 6 August 2016 incorrectly not removed from asset register (Gariep Local Municipality)	(76 461)
Account for salary expense accrued for up to 6 August 2016 (Gariep Local Municipality)	(724 822)
Councillors Remuneration incorrectly accounted for up to merger date (Maletswai Local Municipality)	(15 068)
Correction of depreciation relating to movable assets (R 426 580) previously included as part of Work in Progress (Buildings) (Gariep Local Municipality)	(25 192)
Correction of MSIG returned to National Treasury during 2015/2016 (Gariep Local Municipality)	231 915
Reversal of unsupported balance included as part of payments in advance on merger date (Gariep Local Municipality)	4 934 580
Remove unsupported control accounts and discrepancies on control accounts on merger date (Gariep Local Municipality)	(620 761)
Correct immaterial difference identified on Call Accounts on merger date (Gariep Local Municipality)	(490)
Account for bonuses previously not accrued for between 30 June 2016 and merger date (Gariep Local Municipality)	(152 645)

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

44 ADJUSTMENTS TO ASSETS ACQUIRED AND LIABILITIES ASSUMED ON MERGER DATE (CONTINUED)

	6 AUGUST 2016
	R
Account for performance bonuses previously not accrued for between 30 June 2016 and merger date (Gariiep Local Municipality)	(31 725)
Correct VAT on outstanding debtors on merger date in line with supporting ledger (Gariiep Local Municipality)	(3 388 131)
Impair portion of outstanding output VAT on debtors recognised on merger date (Gariiep Local Municipality)	2 835 296
Correct outstanding receivables in line with supporting sub-ledgers on merger date (Non-Exchange) (Gariiep Local Municipality)	7 629 302
Correct outstanding receivables in line with supporting sub-ledgers on merger date (Exchange) (Gariiep Local Municipality)	1 510 723
Correct duplicated leave provision recognised during 2015/2016 Maletswai Local Municipality)	988 162
Remove unsupported balances on cash suspense accounts not taken forward into merger	(2 209 748)
Recognise unused pre-paid electricity on merger date (Gariiep Local Municipality)	(682 928)
Recognise electricity consumption up to merger date only billed after merger date (Gariiep Local Municipality)	2 945 269
Total adjustment on Merger Date	3 319 455

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
45 CASH FROM OPERATIONS	
Net Deficit for the period	(41 689 508)
Non-Cash Expenditure and Revenue	57 001 988
Actuarial Gains	(7 958 108)
Fair Value Adjustments	(597 200)
Debt Impairment	36 177 542
Depreciation and Amortisation	26 036 302
Finance Charges	3 343 453
Contributions - Provisions and Employee Benefits	10 116 464
Post Retirement Medical Benefits	1 243 120
Long Service Awards	510 829
Performance Bonuses	590 922
Bonuses	3 956 027
Staff Leave	3 187 178
Compensation for Injury on Duty	628 387
Expenditure - Provisions and Employee Benefits	(5 438 318)
Post Retirement Medical Benefits	(253 483)
Long Service Awards	(250 858)
Bonuses	(3 930 831)
Staff Leave	(919 721)
Compensation for Injury on Duty	(83 426)
Other adjustments	(6 337 477)
Bad Debts Written Off	(5 517 477)
Grants Withheld	(820 000)
Operating Surplus before changes in working capital	13 653 149
Movement in working capital	35 456 370
Receivables from exchange and non-exchange transactions	1 326 860
Deferred Revenue	(18 789 951)
Inventory	(35 836)
Payables from exchange transactions	48 334 870
Unspent Conditional Government Grants	11 789 944
Taxes	(7 169 517)
Cash Flow from Operating Activities	49 109 519

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
46 CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents comprise out of the following:	
Current Accounts	1 676 055
Call Investments and Notice Deposits	19 967 258
Cash Floats	14 764
Total	21 658 077

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

47 BUDGET COMPARISONS

47.1 COMPARABLE BASIS

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

The following items are affected by these classification differences:

Statement of financial position

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

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

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

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

Statement of financial performance

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

47 BUDGET COMPARISONS (CONTINUED)

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

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

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

47.2 MATERIAL VARIANCES

Statement of financial position - Budget Adjustments

None

Statement of financial position - Budget versus Actual

Cash	Variance mainly due to grants not yet fully spent on 30 June 2017
Consumer Debtors	Revenue lower than anticipated in the budget combined with higher impairment charge raised during the period.
Investment Property	Budget not aligned to balances of former entities on merger date.
Property, plant and equipment	Budget not aligned to balances of former entities on merger date.
Trade and Other Payables	Budget did not fully account for the cash flow constraints experienced by the municipality.
Borrowing	Budget not aligned to balances of former entities on merger date. Capital Budget did not provide for any capital to be funded from external funding.
Provisions and Employee Benefits	Budget not aligned to balances of former entities on merger date. Significant increase recognised on provision for landfill site rehabilitation not budgeted for.
Accumulated Surplus	Deficit realised in current year, while an surplus was projected. Budget not fully aligned to the actuals of former municipalities.

Statement of financial performance - Budget Adjustments

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

47

BUDGET COMPARISONS (CONTINUED)

Statement of financial performance - Budget versus Actual

Property Rates	Budget not accurately aligned to the period covered being less than a 12 month cycle.
Service Charges	Rebates/Revenue foregone incorrectly budgeted as an expense.
Government Grants and Subsidies - Operating	Grants not fully spent at period-end
Other revenue	Significant Actuarial Gain of approximately R 8 m materialised in the current period not anticipated during compilation of the budget.
Employee Related Costs	Inadequate allocation in the budget towards non-cash contributions (i.e. Leave, Bonuses, Post Employment Benefits and Long Service Awards)
Debt Impairment	Inadequate allocation in the budget towards debt impairment considering that a large portion of outstanding debt is outstanding for period over 90 Days.
Depreciation & asset impairment	Budget not fully aligned to the depreciation charge previously recognised by the 2 former municipalities.
Finance Charges	Budget did not provide for allocations towards non-cash revenue (landfill sites, Post Retirement Benefits and Long Service Awards. Significant portion of interest paid relates to arrear accounts which were not budgeted for.
Grants and subsidies paid	Rebates/Revenue foregone incorrectly budgeted as an expense.
Other Expenditure	Budget not fully aligned to spending program of the municipality.

Cash Flow Statement - Budget Adjustments

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

Cash Flow Statement - Budget versus Actual

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017
	R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	
48.1 UNAUTHORISED EXPENDITURE	
Unauthorised expenditure consist out of the following:	
Balance on Merger Date	71 783 996
Transferred from Maletswai Local Municipality	37 120 119
Transferred from Gariep Local Municipality	34 663 877
Unauthorised expenditure current year - operating	64 826 837
Unauthorised expenditure current year - capital	10 244 155
Approved by Council	-
Unauthorised expenditure awaiting approval	146 854 988

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

	2017 (Actual) R	2017 (Final Budget) R	2017 (Unauthorised) R
Unauthorised expenditure - Operating			
Executive and Council	29 434 305	14 890 817	14 543 487
Planning and Development	5 160 821	2 390 775	2 770 046
Budget and Treasury Office	59 469 323	29 443 946	30 025 377
Public Safety	6 053 313	5 636 020	417 293
Road Transport	25 585 682	31 501 410	-
Other	1 639 263	2 503 506	-
Waste Management	36 607 704	21 378 653	15 229 051
Sport and Recreation	1 947 196	2 235 596	-
Community and Social Services	4 737 171	6 291 467	-
Housing	2 328 202	1 782 827	545 375
Electricity	94 253 630	92 957 422	1 296 208
Total	267 216 609	211 012 440	64 826 837

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

48

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2017 (Actual) R	2017 (Final Budget) R	2017 (Unauthorised) R
Unauthorised expenditure - Capital			
Executive and Council	410 435	400 000	10 435
Budget and Treasury Office	234 741	60 000	174 741
Public Safety	-	20 000	-
Road Transport	20 276 197	10 691 324	9 584 873
Waste Management	25 207	40 000	-
Sport and Recreation	924 673	-	-
Community and Social Services	514 105	40 000	474 105
Housing	-	20 000	-
Electricity	7 007 852	15 339 026	-
Total	29 393 212	26 610 350	10 244 155

2017
R

48.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Balance on Merger Date	38 367 289
Transferred from Maletswai Local Municipality	12 287 794
Transferred from Gariep Local Municipality	26 079 495
Fruitless and wasteful expenditure incurred	8 235 990
Approved by Council	-
Fruitless and wasteful expenditure awaiting approval	46 603 279

Details of Fruitless and wasteful expenditure incurred :

Interest on late payments	8 235 990
Total	8 235 990

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)	
48.3 IRREGULAR EXPENDITURE	
Irregular expenditure consist out of the following:	
Balance on Merger Date	47 181 250
Transferred from Maletswai Local Municipality	2 015 137
Transferred from Gariep Local Municipality	45 166 113
Irregular expenditure incurred	933 372
Approved by Council	-
Irregular expenditure awaiting approval	48 114 622
Details of Irregular expenditure incurred :	
Suppliers not registered on CSD	889 503
SCM Procedures not followed	43 869
Total	933 372

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

48.4 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	77 403 340
- Units sold (Kwh)	63 634 276
- Units lost during distribution (Kwh)	13 769 064
- Percentage lost during distribution	17.79%
- Rand Value of Loss	12 557 730

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

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

The following Councillors had arrear accounts outstanding for more than 90 days during the period ending 30 June 2017.

	90 Days R
CIlr VA Schoeman	274
CIlr N Ngubo	611
CIlr Y Zweni	5 254
CIlr Z Mqokrwana	34 806
CIlr M Solani	3 447
CIlr L Nkunzi	5 690
CIlr D De Jongh	714

49.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

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

Impractical to follow SCM process	3 261 878
Emergency	444 169
Special Works	17 121
Total	3 723 168

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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

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

Section 126 of MFMA - The municipality must prepare and submit the annual financial statements within 2 months after year end to the Auditor General for auditing. The annual financial statements was only signed on the 22 September 2017 and submitted to the Auditor General.

2017
R

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

49.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

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

None

50 CAPITAL COMMITMENTS

Approved and contracted for - Infrastructure

13 963 600

All Commitments will be financed from Government Grants.

51 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

51.1 Credit Risk

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	21 643 312
Receivables from exchange transactions	19 673 112
Receivables from non-exchange transactions	8 828 443
Non-Current Investments	1 368 838
Total	51 513 706

Cash and Cash Equivalents and Non-Current Investments

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

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

Receivables

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

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

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

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

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R
51 FINANCIAL RISK MANAGEMENT (CONTINUED)	
The following service receivables are considered passed due (more than 30 Days Outstanding):	
Rates	28 935 617
Electricity	15 458 657
Refuse	43 077 079
Other	16 102 902
Total	103 574 255

Rates is not considered to be a financial asset, but is included in analysis for user purposes.
Long Term Receivables (including current portion)

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

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

51.2 Currency risk (Market Risk)

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

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

51.3 Interest rate risk (Market Risk)

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

The following balances are exposed to interest rate fluctuations:

	2017 R
Cash and Cash Equivalents (Excluding Cash on Hand)	21 643 312
Non-Current Investments	1 368 838
Long-term Liabilities (Including Current Portion)	3 965 136
Non-Current Provisions	24 459 033
Net balance exposed	51 436 320

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

0.5% increase in interest rates	257 182
1% decrease in interest rates	(514 363)

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

51.4 Liquidity risk

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

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

The following balances are exposed to liquidity risk:

30 JUNE 2017	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	790 498	1 814 573	2 229 380
Hire Purchases	704 988	589 495	-
Payables from exchange transactions	243 928 143	-	-
Total	245 423 629	2 404 067	2 229 380

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

51.5 Other price risk (Market Risk)

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

The municipality is not exposed to any other price risk.

52 FINANCIAL INSTRUMENTS

instruments (All balances are recognised at amortised cost.)

Financial Assets

Cash and Cash Equivalents	21 658 077
Receivables from exchange transactions	19 673 112
Receivables from non-exchange transactions	8 828 443
Non-Current Investments	1 368 838

Total	51 528 470
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Financial Liabilities

Current Portion of Long-term Liabilities	1 227 085
Payables from exchange transactions	243 928 143
Long-term Liabilities	2 738 051

Total	247 893 279
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2017
R

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

53 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Rates	3 936 720
Taxes	31 050 470
Total	34 987 190

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

54 EVENTS AFTER REPORTING DATE

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effect as from 1 July 2017 .

The main objective of this Regulations is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which-

(a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and

(b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

In order for the municipality to ensure full compliance with the mSCOA regulations it was necessary to do an ICT Due Diligence report on the current financial system's capability and evaluate the performance of the vendors aligned with mSCOA requirements. Based on the assessment done an item was submitted to Council to consider continuing with the current service provider (SEBATA) by making use of the National Treasury RT25 transversal tender in order for the municipality to ensure full compliance and functionality as per mSCOA requirements with the effective date of implementation 1 July 2017.

55 IN-KIND DONATIONS AND ASSISTANCE

The municipality received no donated assets during the period ending 30 June 2017.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

56 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

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

57 CONTINGENT LIABILITIES

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

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

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

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

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

The applicant is suing the municipality for R940 642 (30 June 2016 - R 940 642)

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

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

58 RELATED PARTIES

Related parties are defined in note 1.36

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

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

58 RELATED PARTIES (CONTINUED)

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

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

Remuneration of related parties are disclosed in notes 33 and 34

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

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

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

59 FINANCIAL SUSTAINABILITY

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

Financial Indicators

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

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

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

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

The municipality experienced material losses in electricity usage to the value of R 7 602 628. This represents a loss of 17.7%.

WALTER SISULU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

59 FINANCIAL SUSTAINABILITY (CONTINUED)

Operating Indicators

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

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

Other Indicators

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

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE PERIOD ENDING 30 JUNE 2017

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 7 August 2016 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2017 R
<u>ANNUITY LOANS</u>							
DBSA	102312	5.00%	2027-09-30	3 513 798	-	(232 729)	3 281 069
DBSA	102619	5.00%	2018-09-30	894 027	-	(344 478)	549 550
Total Annuity Loans				4 407 825	-	(577 206)	3 830 619
<u>HIRE PURCHASES</u>							
ABSA (TATA Water Truck)	83338631	10.25%	2017-12-15	268 999	-	(169 028)	99 971
ABSA (Nissan UD 330)	83577440	10.25%	2018-03-01	603 208	-	(303 859)	299 349
ABSA (Isuzu KB 200I)	83520421	10.25%	2018-03-01	62 188	-	(31 326)	30 861
FNB (CHEVROLET TRAILBLAZER)	85237353353	10.25%	2020-10-01	404 337	-	(67 744)	336 593
FNB (NISSAN NP200 1.6)	85237353492	10.25%	2020-10-01	142 181	-	(23 822)	118 359
FNB (Chevrolet Aveo)	85237353505	10.25%	2020-10-01	158 179	-	(26 502)	131 677
FNB (Chevrolet Aveo)	85237353517	10.25%	2020-10-01	158 179	-	(26 502)	131 677
Total Hire Purchases				1 797 271	-	(648 783)	1 148 488
Total Long-Term Liabilities				6 205 096	-	(1 225 989)	4 979 107

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE PERIOD ENDING 30 JUNE 2017

VOTE	30 JUNE 2017		
	REVENUE	EXPENDITURE	SURPLUS/ (DEFICIT)
	R	R	R
Council	5 016 888	(21 635 500)	(16 618 612)
Municipal Manager	13 354	(6 917 991)	(6 904 637)
Strategic Services	-	(880 814)	(880 814)
Corporate Services	91 800	(9 064 300)	(8 972 500)
Occupational Health & Safety	-	(40 096)	(40 096)
Financial Services	66 370 020	(41 314 958)	25 055 062
Assessment Rates	18 661 347	-	18 661 347
Administration and Land Affairs	2 047 944	(7 203 026)	(5 155 082)
Information and Communication Technology	-	(1 846 943)	(1 846 943)
Integrated Development Planning	-	(2 941 004)	(2 941 004)
Special Program Unit	-	(421 455)	(421 455)
Local Economic Development	-	(797 490)	(797 490)
Planning and Economic Development	-	(1 000 872)	(1 000 872)
Community Services	-	(2 631 776)	(2 631 776)
Cemetery	306 348	(5 354)	300 994
Libraries	1 976 621	(2 059 950)	(83 328)
Conference Centre and Community Halls	58 690	(38 727)	19 963
Museum	-	(1 364)	(1 364)
Housing	-	(2 328 202)	(2 328 202)
Traffic	5 154 895	(6 053 313)	(898 418)
Sport Grounds	401 127	(7 570)	393 557
Aliwal Spa	367 659	(1 939 626)	(1 571 967)
Refuse Removal	15 916 919	(31 745 948)	(15 829 029)
Parks and Public Places	64 482	(4 861 755)	(4 797 273)
Technical Services	1 628	(2 624 053)	(2 622 425)
Public Works	26 369 359	(22 961 629)	3 407 730
Electricity	81 797 721	(94 253 630)	(12 455 909)
Aerodrome	13 249	(25 513)	(12 264)
Commonage	152 605	(2 592)	150 013
Nature Reserve	597 691	(11 550)	586 141
Commonage & Reserves	-	-	-
Municipal Buildings	146 754	(1 599 608)	(1 452 854)
Total	225 527 101	(267 216 609)	(41 689 508)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (GFS) FOR THE PERIOD ENDING 30 JUNE 2017

VOTE	2017		SURPLUS/ (DEFICIT) R
	REVENUE R	EXPENDITURE R	
Executive and Council	5 030 242	(29 434 305)	(24 404 062)
Planning and Development	-	(5 160 821)	(5 160 821)
Budget and Treasury Office	87 171 111	(59 469 323)	27 701 789
Public Safety	5 154 895	(6 053 313)	(898 418)
Road Transport	26 370 987	(25 585 682)	785 305
Other	910 299	(1 639 263)	(728 964)
Waste Management	15 981 401	(36 607 704)	(20 626 302)
Sport and Recreation	768 785	(1 947 196)	(1 178 411)
Community and Social Services	2 341 659	(4 737 171)	(2 395 512)
Housing	-	(2 328 202)	(2 328 202)
Electricity	81 797 721	(94 253 630)	(12 455 909)
Total	225 527 101	(267 216 609)	(41 689 508)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE PERIOD ENDING 30 JUNE 2017

	BALANCE ON MERGER DATE R	GRANTS RECEIVED R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	RETURNED TO TREASURY R	TRANSFERRED FROM RECEIVABLES R	CLOSING BALANCE R
NATIONAL GOVERNMENT							
Equitable Share	-	43 290 000	(43 290 000)	-	-	-	-
Financial Management Grant (FMG)	-	3 835 000	(3 715 022)	-	-	(119 978)	-
Municipal Infrastructure Grant (MIG)	2 019 694	27 552 000	(4 462 368)	(22 034 120)	(820 000)	-	2 255 206
Skills Development Fund	-	91 288	(91 288)	-	-	-	-
Integrated National Electrification Programme (INEP)	-	5 000 000	(614 035)	(4 385 965)	-	-	-
Energy Efficiency and Demand Side Management Grant	511 967	-	(62 873)	(449 094)	-	-	-
Expanded Public Works Program (EPWP)	-	2 438 000	(2 438 000)	-	-	-	-
Municipal Demarcation and Transition Grant	-	15 428 000	(5 594 987)	-	-	-	9 833 013
Total	2 531 660	97 634 288	(60 268 573)	(26 869 179)	(820 000)	(119 978)	12 088 219
PROVINCIAL GOVERNMENT							
Library Grant	-	1 947 000	(1 947 000)	-	-	-	-
Spatial Development Plan	361 000	-	-	-	-	-	361 000
1218 Link Houses	271 617	-	-	-	-	-	271 617
330 Houses	168 331	-	-	-	-	-	168 331
Area 5 Services	63 514	-	-	-	-	-	63 514
Hilton 89 Houses	6 746	-	-	-	-	-	6 746
Area 13 - Fund	98 454	-	-	-	-	-	98 454
318 Houses Jamestown	373 367	-	-	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	-	-	-	-	6 090

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE PERIOD ENDING 30 JUNE 2017

Jamestown 858 Houses	639 778	-	-	-	-	-	639 778
838 Wonings Fonds	690 403	-	-	-	-	-	690 403
Land Survey Management	467 500	-	-	-	-	-	467 500
LED Garden Project Jamestown	97 454	-	-	-	-	-	97 454
ECDLGTA - Greening and Beautification	-	1 000 000	(1 000 000)	-	-	-	-
JL De Bruin Dam	193 973	-	-	-	-	-	193 973
DPLG Funding (Gariep)	110 993	-	-	-	-	-	110 993
Total	3 549 222	2 947 000	(2 947 000)	-	-	-	3 549 222
DISTRICT MUNICIPALITY							
Joe Gqabi District Municipality Grant	76 500	2 579 878	(124 464)	(1 042 028)	-	-	1 489 886
Total	76 500	2 579 878	(124 464)	(1 042 028)	-	-	1 489 886
ALL SPHERES GOVERNMENT	6 157 382	103 161 166	(63 340 037)	(27 911 207)	(820 000)	(119 978)	17 127 327

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
REVENUE					
Governance and administration	74 734 744	13 503 726	88 238 470	92 201 354	3 962 884
Executive and council	6 764 469	15 280 000	22 044 469	5 030 242	(17 014 227)
Budget and treasury office	63 362 178	-	63 362 178	87 171 111	23 808 933
Corporate services	4 608 097	(1 776 274)	2 831 823	-	(2 831 823)
Community and public safety	11 603 908	(912 919)	10 690 989	8 265 339	(2 425 649)
Community and social services	4 603 254	(415 424)	4 187 830	2 341 659	(1 846 170)
Sport and recreation	493 930	(320 084)	173 846	768 785	594 939
Public safety	6 506 724	(177 411)	6 329 313	5 154 895	(1 174 418)
Economic and environmental services	24 382 056	(265 178)	24 116 878	26 370 987	2 254 109
Planning and development	304 500	(210 548)	93 952	-	(93 952)
Road transport	24 077 556	(54 630)	24 022 926	26 370 987	2 348 061
Trading services	129 201 899	(13 750 001)	115 451 898	97 779 122	(17 672 776)
Electricity	99 290 079	(11 101 177)	88 188 902	81 797 721	(6 391 182)
Waste management	29 911 820	(2 648 825)	27 262 995	15 981 401	(11 281 594)
Other	857 629	(648 057)	209 572	910 299	700 727
Total Revenue - Standard	240 780 236	(2 072 430)	238 707 806	225 527 101	(13 180 705)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
EXPENDITURE					
Governance and administration	68 015 241	(23 680 478)	44 334 763	88 903 627	44 568 864
Executive and council	24 911 170	(10 020 353)	14 890 817	29 434 305	14 543 487
Budget and treasury office	27 385 994	(9 215 619)	18 170 375	59 469 323	41 298 948
Corporate services	15 718 077	(4 444 506)	11 273 571	-	(11 273 571)
Community and public safety	20 990 086	(5 044 176)	15 945 910	15 065 882	(880 028)
Community and social services	8 452 452	(2 160 985)	6 291 467	4 737 171	(1 554 296)
Sport and recreation	2 986 091	(750 495)	2 235 596	1 947 196	(288 400)
Public safety	7 306 555	(1 670 535)	5 636 020	6 053 313	417 293
Housing	2 244 988	(462 161)	1 782 827	2 328 202	545 375
Economic and environmental services	36 819 308	(2 927 122)	33 892 186	30 746 503	(3 145 682)
Planning and development	3 384 552	(993 777)	2 390 775	5 160 821	2 770 046
Road transport	33 434 756	(1 933 346)	31 501 410	25 585 682	(5 915 728)
Trading services	130 497 416	(16 161 341)	114 336 075	130 861 334	16 525 259
Electricity	98 787 232	(5 829 810)	92 957 422	94 253 630	1 296 208
Waste management	31 710 184	(10 331 531)	21 378 653	36 607 704	15 229 051
Other	3 987 208	(1 483 702)	2 503 506	1 639 263	(864 244)
Total Expenditure - Standard	260 309 259	(49 296 819)	211 012 440	267 216 609	56 204 169
Surplus/(Deficit) for the year	(19 529 023)	47 224 389	27 695 366	(41 689 508)	(69 384 874)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
REVENUE					
Executive and council	6 764 469	15 280 000	22 044 469	5 030 242	(17 014 227)
Budget and treasury office	67 970 275	(2 369 452)	65 600 823	87 171 111	21 570 288
Planning and development	304 500	(210 548)	93 952	-	(93 952)
Community and social services	4 603 254	(415 424)	4 187 830	2 341 659	(1 846 170)
Public safety	6 506 724	(177 411)	6 329 313	5 154 895	(1 174 418)
Sport and recreation	493 930	(320 084)	173 846	768 785	594 939
Waste management	29 911 820	(2 648 825)	27 262 995	15 981 401	(11 281 594)
Road transport	24 077 556	(54 630)	24 022 926	26 370 987	2 348 061
Electricity	99 290 079	(11 101 177)	88 188 902	81 797 721	(6 391 182)
Other	857 629	(648 057)	209 572	910 299	700 727
Total Revenue by Vote	240 780 236	(2 665 608)	238 114 628	225 527 101	(12 587 527)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
EXPENDITURE					
Executive and council	24 911 170	(10 020 353)	14 890 817	29 434 305	14 543 487
Budget and treasury office	43 104 071	(13 660 125)	29 443 946	59 469 323	30 025 377
Planning and development	3 384 552	(993 777)	2 390 775	5 160 821	2 770 046
Community and social services	8 452 452	(2 160 985)	6 291 467	4 737 171	(1 554 296)
Housing	2 244 988	(462 161)	1 782 827	2 328 202	545 375
Public safety	7 306 555	(1 670 535)	5 636 020	6 053 313	417 293
Sport and recreation	2 986 091	(750 495)	2 235 596	1 947 196	(288 400)
Waste management	31 710 184	(10 331 531)	21 378 653	36 607 704	15 229 051
Road transport	33 434 756	(1 933 346)	31 501 410	25 585 682	(5 915 728)
Electricity	98 787 232	(5 829 810)	92 957 422	94 253 630	1 296 208
Other	3 987 208	(1 483 702)	2 503 506	1 639 263	(864 244)
Total Expenditure by Vote	260 309 259	(49 296 819)	211 012 440	267 216 609	56 204 169
Surplus/(Deficit) for the year	(19 529 023)	46 631 211	27 102 188	(41 689 508)	(68 791 696)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
REVENUE BY SOURCE					
Property rates	24 121 412	-	24 121 412	18 661 347	(5 460 065)
Service charges - electricity revenue	98 470 744	(15 538 684)	82 932 061	76 276 657	(6 655 403)
Service charges - refuse revenue	22 952 743	(3 623 911)	19 328 832	14 928 625	(4 400 207)
Rental of facilities and equipment	2 999 307	(1 795 556)	1 203 751	2 144 825	941 074
Interest earned - external investments	834 156	(303 062)	531 094	1 431 704	900 610
Interest earned - outstanding debtors	4 888 220	-	4 888 220	5 118 497	230 277
Fines	351 494	(221 083)	130 411	459 253	328 842
Licences and permits	3 804 692	-	3 804 692	3 225 925	(578 767)
Agency services	2 990 000	-	2 990 000	1 618 523	(1 371 477)
Transfers recognised - operational	54 990 873	16 280 000	71 270 873	63 340 037	(7 930 836)
Other revenue	3 296 894	(2 374 756)	922 138	10 410 499	9 488 361
Gains on disposal of PPE	89 375	(88 557)	818	-	(818)
Total Revenue (excluding capital transfers and contributions)	219 789 910	(7 665 608)	212 124 303	197 615 895	(14 508 408)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (3) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
EXPENDITURE BY TYPE					
Employee related costs	87 589 029	(16 894 055)	70 694 974	76 831 637	6 136 663
Remuneration of councillors	7 364 853	(2 838 923)	4 525 930	5 882 648	1 356 717
Debt impairment	3 357 532	(1 118 058)	2 239 474	36 177 542	33 938 068
Depreciation & asset impairment	17 049 696	1 740 355	18 790 051	26 036 302	7 246 250
Finance charges	992 844	(671 512)	321 332	11 907 013	11 585 680
Bulk purchases	72 879 647	(18 220)	72 861 427	70 593 781	(2 267 646)
Transfers and grants	19 480 040	(9 128 347)	10 351 693	191 813	(10 159 881)
Other expenditure	51 595 618	(20 368 061)	31 227 557	39 595 874	8 368 316
Total Expenditure	260 309 259	(49 296 819)	211 012 440	267 216 609	56 204 169
Surplus/(Deficit)	(40 519 349)	41 631 211	1 111 863	(69 600 714)	(70 712 577)
Transfers recognised - capital	20 990 324	5 000 000	25 990 324	27 911 207	1 920 883
Surplus/(Deficit) for the year	(19 529 025)	46 631 211	27 102 187	(41 689 508)	(68 791 694)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
CAPITAL EXPENDITURE (VOTE)					
Single-year expenditure					
Executive and council	-	400 000	400 000	410 435	10 435
Budget and treasury office	60 000	-	60 000	234 741	174 741
Community and social services	40 000	-	40 000	514 105	474 105
Housing	20 000	-	20 000	-	(20 000)
Public safety	20 000	-	20 000	-	(20 000)
Sport and recreation	-	-	-	924 673	924 673
Waste management	40 000	-	40 000	25 207	(14 793)
Road transport	10 691 324	-	10 691 324	20 276 197	9 584 873
Electricity	15 339 026	-	15 339 026	7 007 852	(8 331 174)
Total Capital Expenditure by Vote	26 210 350	400 000	26 610 350	29 393 212	2 782 861

CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)

Governance and administration	60 000	400 000	460 000	645 177	185 177
Executive and council	-	400 000	400 000	410 435	10 435
Budget and treasury office	40 000	-	40 000	234 741	194 741
Corporate services	20 000	-	20 000	-	(20 000)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (4) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
Community and public safety	80 000	-	80 000	1 438 779	1 358 779
Community and social services	40 000	-	40 000	514 105	474 105
Sport and recreation	-	-	-	924 673	924 673
Public safety	20 000	-	20 000	-	(20 000)
Housing	20 000	-	20 000	-	(20 000)
Economic and environmental services	10 691 324	-	10 691 324	20 276 197	9 584 873
Road transport	10 691 324	-	10 691 324	20 276 197	9 584 873
Trading services	15 379 026	-	15 379 026	7 033 059	(8 345 967)
Electricity	15 339 026	-	15 339 026	7 007 852	(8 331 174)
Waste management	40 000	-	40 000	25 207	(14 793)
Total Capital Expenditure - Standard	26 210 350	400 000	26 610 350	29 393 212	2 782 862
CAPITAL EXPENDITURE (FUNDING SOURCES)					
National Government	25 990 351	-	25 990 351	26 869 179	878 828
District Municipality	-	-	-	1 042 028	1 042 028
Transfers recognised - capital	25 990 351	-	25 990 351	27 911 207	1 920 856
Internally generated funds	220 000	400 000	620 000	1 482 005	862 005
Total Capital Funding	26 210 350	400 000	26 610 350	29 393 212	2 782 861

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

CASH FLOWS

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Property rates	24 121 412	-	24 121 412	15 614 382	(8 507 030)
Service charges	109 509 872	(29 162 594)	80 347 277	74 257 400	(6 089 877)
Other revenue	37 193 696	(2 494 457)	34 699 239	10 496 517	(24 202 722)
Government - operating	71 649 000	16 280 000	87 929 000	73 230 155	(14 698 845)
Government - capital	26 552 000	5 000 000	31 552 000	29 931 011	(1 620 989)
Interest	5 722 375	-	5 722 375	1 431 704	(4 290 671)
Payments					
Suppliers and employees	(168 478 457)	478 741	(167 999 717)	(147 096 278)	20 903 439
Finance charges	(6 825 705)	671 512	(6 154 193)	(8 563 560)	(2 409 367)
Transfers and Grants	(514 686)	-	(514 686)	(191 813)	322 874
NET CASH FROM OPERATING ACTIVITIES	98 929 506	(9 226 799)	89 702 708	49 109 519	(40 593 188)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	1 282 133	-	1 282 133	-	(1 282 133)
Decrease/(Increase) in non-current investment	-	-	-	(91 532)	(91 532)
Payments					
Capital assets	(26 210 350)	(400 000)	(26 610 350)	(29 393 212)	(2 782 861)
NET CASH USED IN INVESTING ACTIVITIES	(24 928 217)	(400 000)	(25 328 217)	(29 484 744)	(4 156 527)

WALTER SISULU LOCAL MUNICIPALITY

APPENDIX E (5) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2017

CASH FLOWS

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase (decrease) in consumer deposits	-	89 000	89 000	98 220	9 220
Payments					
Repayment of borrowing	(1 133 490)	-	(1 133 490)	(1 225 989)	(92 499)
NET CASH FROM FINANCING ACTIVITIES	(1 133 490)	89 000	(1 044 490)	(1 127 770)	(83 280)
NET INCREASE/ (DECREASE) IN CASH HELD	72 867 799	(9 537 799)	63 330 001	18 497 006	(44 832 995)
Cash/cash equivalents at the period begin:	1 055 815		1 055 815	3 161 071	2 105 256
Cash/cash equivalents at the period end:	73 923 614	(9 537 799)	64 385 816	21 658 077	(42 727 739)