RICHMOND

LOCAL MUNICIPALITY

2016/17

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2017

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

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GENERAL INFORMATION

MAYOR

Cllr. A. Ragavaloo – 01/07/2016 to 10/08/2016
Cllr. S.J. Mchunu – 22/08/2016 to 30/06/2017

DEPUTY MAYOR

Cllr. P.C. Ngcobo – 01/07/2016 to 10/08/2016
Cllr. T.V. Poshwa – 22/08/2016 to 30/06/2017

SPEAKER

Cllr. S.B. Ndlovu – 22/08/2016 to 30/06/2017

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor
Deputy Mayor
Councillor T.C. Madonda – 22/08/2016 to 30/06/2017

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External: Auditor General

Internal: Umnotho Business Consultants

PRIMARY BANKER

First National Bank

REGISTERED OFFICE

Memorial Hall
57 Shepstone Street
RICHMOND
3780

Private Bag 1028
RICHMOND
3780

Telephone: (033) 212-2155

Facsimile: (033) 212-4183

E-Mail: mm@richmond.gov.za

GENERAL INFORMATION (continued)

MUNICIPAL MANAGER

E.S. Sithole – 01/07/2016 to 06/03/2017	(033) 212-2155	sibusiso.sithole@richmond.gov.za

ACTING MUNICIPAL MANAGER

S.D. Mkhize – 07/03/2017 to 30/06/2017	(033) 212-2155	mm@richmond.gov.za

CHIEF FINANCIAL OFFICER

S. Mewalall	(033) 212-2155	cfo@richmond.gov.za

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 138, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2017.

A.B. MNIKATHI
MUNICIPAL MANAGER
31 August 2017

S. MEWALALL
CHIEF FINANCIAL OFFICER
31 August 2017

RICHMOND LOCAL MUNICIPALITY
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MEMBERS OF THE COUNCIL

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
01/07/2016 to 10/08/2016:				
1	Ragavaloo A	ANC	Moonsamay P	ANC
2	Tshelembe WT	ANC	Ngcobo PC	ANC
3	Magubane KE	IND	Mkhize OM	ANC
4	Shange RB	ANC	Ngubo MDB	ANC
5	Ngcongo B	ANC	Mdlalose SA	ANC
6	Jili J	ANC	Madonda TC	DA
7	Vacant		Mngadi BM	UDM
11/08/2016 to 30/06/2017:				
1	Ndlovu SD	ANC	Madonda TC	DA
2	Mkhize SJ	ANC	Phoswa TV	ANC
	11/08/2016 to 29/06/2017		*11/08/2016 to 03/04/2017*	
3	Maphumulo V	ANC	Mchunu SJ	ANC
4	Shange BR	ANC	MJwara NW	EFF
5	Ngcongo B	ANC	Phoswa NP	ANC
6	Jili MJ	ANC	Mkhize KE	ANC
7	Shange SL	ANC	Ngcongo S	DA

CERTIFICATION OF REMUNERATION OF COUNCILLORS

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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A.B. MNIKATHI
MUNICIPAL MANAGER
31 August 2017

RICHMOND LOCAL MUNICIPALITY
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FOREWORD

During the 2016/17 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment and due to the local government elections held in August 2016.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Although capital infrastructure projects were limited to those financed from external grant funding, the municipality has successfully finalised some of the projects identified in the Integrated Development Plan.

The municipality will in the 2017/18 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2016/17 projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2016/17 year and hope that the 2017/18 targets set in the Integrated Development Plan will be met.

I thank you.

CLLR S.J. MCHUNU
HONOURABLE MAYOR
31 August 2017

RICHMOND LOCAL MUNICIPALITY
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AUDIT REPORT

The 2016/17 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

RICHMOND LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Richmond Local Municipality at 30 June 2017.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2016/17 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2017 indicates an increase in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Employee Benefit Liabilities and Provision for Rehabilitation of Landfill Site. The increase in Current Liabilities is primarily the net result of the increase in Payables and decrease in Unspent Conditional Grants.

2. MSCOA IMPLEMENTATION PLAN

At 30 June 2016 the municipality was still in progress with the implementation of MSCoA. The municipality did not early adopt disclosures to be aligned to MSCOA chart, neither were any of the Accounting Policies amended based on the classification requirements within MSCOA. Disclosure has therefore been applied consistently from the prior year.

Frequent Provincial Treasury Workshops on MSCOA were attended by the delegated officials of the municipality to ensure that all staff are aware of the impact that MSCOA will have on the municipal operations and reporting as from 1 July 2017.

3. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

3.1 Financial Statement Ratios:

INDICATOR	2017	2016
Surplus / (Deficit) before Appropriations	22 043 561	29 356 028
Surplus / (Deficit) at the end of the Year	374 747 710	352 704 148
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	34.40%	35.78%
Remuneration of Councillors	4.05%	4.48%
Collection Costs	0.11%	0.17%
Depreciation and Amortisation	16.31%	17.67%
Impairment Losses	6.67%	1.02%
Repairs and Maintenance	2.81%	2.06%
Interest Paid	0.31%	0.48%
Contracted Services	8.55%	8.87%
Grants and Subsidies Paid	2.74%	2.13%
General Expenses	24.05%	27.33%
Current Ratio:		
Trade Creditors Days	30	50
Debtors from Exchange Transactions Days	18	17

3.2 Performance Indicators:

INDICATOR	2017	2016
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	58.18%	28.60%
Outstanding Service Debtors to Revenue	274.52%	121.74%
Liquidity Management:		
Liquidity Ratio	1.47	2.17
Liability Management:		
Capital Cost as percentage of Own Revenue	1.82%	2.87%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	1.44%
Borrowing as percentage of Total Capital Assets	0.00%	0.01%
Safety of Capital:		
Gearing	0.00%	0.01%
Financial Viability:		
Debt Coverage	5.57	6.14
Cost Coverage	0.38	0.62
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	36.65%	20.86%
Capital Expenditure on Infrastructure to Total Capital Expenditure	71.46%	77.18%

A detailed ratio analysis, together with explanantions, is included in Appendix "H".

4. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Richmond Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2017 are as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	352 428 949	323 088 072	9.08	-	100.00
Operating income for the year	128 595 407	123 160 276	4.41	121 982 235	5.42
Appropriations for the year	(1 695)	(15 151)	(88.81)	-	100.00
	481 022 661	446 233 197	7.80	121 982 235	294.34
Expenditure:					
Operating expenditure for the year	106 551 845	93 804 248	13.59	103 559 674	2.89
Sundry transfers	(0)	(0)	15 900.00	-	100.00
Closing surplus / (deficit)	374 470 815	352 428 949	6.25	18 422 561	1 932.68
	481 022 661	446 233 197	7.80	121 982 235	294.34

4.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	124 295 570	117 746 766	5.56	117 964 358	5.37
Expenditure	89 328 971	77 597 575	15.12	87 745 281	1.80
Surplus / (Deficit)	34 966 600	40 149 191	(12.91)	30 219 077	15.71
Surplus / (Deficit) as % of total income	28.13%	34.10%		25.62%	

4.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	1 275 053	441 753	188.63	-	100.00
Expenditure	1 275 053	441 753	188.63	-	100.00
Surplus / (Deficit)	-	-	-	-	-
Surplus / (Deficit) as % of total income	100.00%	100.00%		-	

4.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	2 725 816	3 280 848	(16.92)	3 713 655	(26.60)
Expenditure	4 077 544	3 642 148	11.95	4 360 255	(6.48)
Surplus / (Deficit)	(1 351 728)	(361 300)	274.13	(646 600)	109.05
Surplus / (Deficit) as % of total income	(49.59)%	(11.01)%		(17.41)%	

5. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R40 154 696 (2015/16: R33 034 530). Full details of Assets are disclosed in Notes 7, 9, 10, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R40 154 696 was financed as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Grants and Subsidies	31 705 891	16 154 785	96.26	31 039 811	2.15
Public Contributions	-	27 522	(100.00)	-	-
Own Funds (Accumulated Surplus)	8 448 804	16 852 222	(49.87)	8 776 342	(3.73)
	40 154 696	33 034 530	21.55	39 816 152	0.85

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2017	2016
Grants and Subsidies	78.96%	48.90%
Public Contributions	-	0.08%
Own Funds (Accumulated Surplus)	21.04%	51.01%
	100.00%	100.00%

6. RECONCILIATION OF BUDGET TO ACTUAL

6.1 Operating Budget:

DETAILS	2017	2016
Variance per Category:		
Budgeted surplus before appropriations	18 422 561	10 576 563
Revenue variances	6 613 172	55 009 018
Expenditure variances:		
Employee Related Costs	2 569 067	(6 624 379)
Remuneration of Councillors	231 057	(294 042)
Collection Costs	18 904	(112 680)
Depreciation and Amortisation	(5 865 839)	(10 991 866)
Impairment Losses	(5 725 951)	(960 872)
Repairs and Maintenance	100 562	1 594 582
Interest Paid	(37 696)	(452 273)
Contracted Services	432 005	(5 062 124)
Grants and Subsidies Paid	(1 499 928)	(1 273 716)
General Expenses	6 785 649	(12 051 844)
Loss on disposal of Property, Plant and Equipment	-	(338)
Actual surplus before appropriations	22 043 561	29 356 028

DETAILS	2017	2016
Variance per Service Segment:		
Budgeted surplus before appropriations	18 422 561	22 594 426
Executive and Council	758 700	519 620
Budget and Treasury Office	7 349 661	4 117 020
Corporate Services	(421 394)	(358 801)
Community and Social Services	(2 725 485)	460 100
Public Safety	86 617	28 719
Sport and Recreation	843 671	2 105 245
Housing	-	-
Planning and Development	3 115 116	4 673 650
Roads and Transport	(4 680 757)	(4 422 650)
Waste Management	(705 128)	(361 300)
Actual surplus before appropriations	22 043 561	29 356 028

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

6.2 **Capital Budget:**

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Variance actual 2016/17 / 2015/16 R	Budgeted 2016/17 R	Variance actual/ budgeted R
Executive and Council	170 300	287 504	(117 204)	953 937	(783 637)
Budget and Treasury Office	1 152 308	22 924	1 129 383	2 936 750	(1 784 442)
Corporate Services	32 510	33 655	(1 144)	474 582	(442 072)
Community and Social Services	5 404 906	3 385 580	2 019 326	312 217	5 092 689
Sport and Recreation	-	-	-	5 328 500	(5 328 500)
Public Safety	222 144	406 304	(184 160)	664 300	(442 156)
Planning and Development	4 478 282	3 401 845	1 076 438	3 536 500	941 782
Roads and Transport	28 760 556	22 325 819	6 434 736	25 609 366	3 151 189
Waste Management	(66 310)	3 170 899	(3 237 209)	-	(66 310)
	40 154 696	33 034 530	7 120 166	39 816 152	338 544

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

7. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R374 747 710 (30 June 2016: R352 704 148) and is made up as follows:

Accumulated Surplus	374 470 815
	374 470 815

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

8. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2017 was R0 (30 June 2016: R46 447).

Loans to the amount of R0 (2015/16: R242,307) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 17 and Appendix "A" for more detail.

9. EMPLOYEE BENEFIT LIABILITIES

Emplyee Benefit Liabilities amounted R11 189 979 as at 30 June 2017 (30 June 2016: R10 490 229) and is made up as follows:

Post-retirement Health Care Benefits Liability	9 340 788
Long Service Awards Liability	1 849 191
	11 189 979

The Post-retirement Health Care Benefits Liability is in respect of continued Healh Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 18 for more detail.

10. NON-CURRENT PROVISIONS

Non-current Provisions amounted R5 746 769 as at 30 June 2017 (30 June 2016: R5 524 675) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	5 746 769
	5 746 769

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

11. CURRENT LIABILITIES

Current Liabilities amounted R21 784 752 as at 30 June 2017 (30 June 2016: R22 015 113) and is made up as follows:

Provisions	Note 12	176 997
Payables from Exchange Transactions	Note 13	11 766 007
Payables from Non-exchange Transactions	Note 14	4 028 741
Unspent Conditional Grants and Receipts	Note 15	5 376 905
Operating Lease Liabilities	Note 16	401 432
Current Portion of Long-term Liabilities	Note 17	34 669
		21 784 752

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

12. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R323 351 622 as at 30 June 2017 (30 June 2016: R308 032 177).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R212 767 as at 30 June 2017 (30 June 2016: R60 880).

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

Refer to Note 8 and Appendix "B" for more detail.

14. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 635 457 as at 30 June 2017 (30 June 2016: R22 302).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

15. INVESTMENT PROPERTY

The net value of Investment Properties were R7 820 000 as at 30 June 2017 (30 June 2016: R7 820 000).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

16. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R266 as at 30 June 2017 (30 June 2016: R266).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 11 for more detail.

17. CURRENT ASSETS

Current Assets amounted R80 449 097 as at 30 June 2017 (30 June 2016: R74 844 987) and is made up as follows:

Inventories	Note 2	37 267
Receivables from Exchange Transactions	Note 3	583 292
Receivables from Non-exchange Transactions	Note 4	45 150 923
VAT Receivable	Note 5	2 578 229
Cash and Cash Equivalents	Note 6	32 099 387
		80 449 097

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

18. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 25, and Appendix "F" for more detail.

19. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

20. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2017

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
ASSETS			
Current Assets		**80 449 097**	**74 844 987**
Inventories	2	37 267	1 223
Receivables from Exchange Transactions	3	583 292	530 002
Receivables from Non-exchange Transactions	4	45 150 923	22 643 001
VAT Receivable	5	2 578 229	3 934 672
Cash and Cash Equivalents	6	32 099 387	47 736 089
Non-Current Assets		**333 020 113**	**315 935 626**
Property, Plant and Equipment	7	323 351 622	308 032 177
Heritage Assets	8	212 767	60 880
Intangible Assets	9	1 635 457	22 302
Investment Property	10	7 820 000	7 820 000
Non-current Investments	11	266	266
Total Assets		**413 469 210**	**390 780 613**
LIABILITIES			
Current Liabilities		**21 784 752**	**22 015 113**
Provisions	12	176 997	176 581
Payables from Exchange Transactions	13	11 766 007	9 959 604
Payables from Non-exchange Transactions	14	4 028 741	3 642 652
Unspent Conditional Grants and Receipts	15	5 376 905	7 803 357
Operating Lease Liabilities	16	401 432	367 234
Current Portion of Long-term Liabilities	17	34 669	65 686
Non-Current Liabilities		**16 936 748**	**16 061 351**
Long-term Liabilities	17	-	46 447
Employee Benefit Liabilities	18	11 189 979	10 490 229
Non-current Provisions	19	5 746 769	5 524 675
Total Liabilities		**38 721 500**	**38 076 464**
Total Assets and Liabilities		**374 747 710**	**352 704 148**
NET ASSETS		**374 747 710**	**352 704 148**
Accumulated Surplus / (Deficit)	20	374 747 710	352 704 148
Total Net Assets		**374 747 710**	**352 704 148**

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	21	11 328 074	10 985 181
Property Rates - Penalties imposed and collection charges	28	1 452 231	1 282 718
Fines	22	249 579	355 999
Licences and Permits	23	129 952	83 377
Income from Agency Services	24	631 974	571 567
Government Grants and Subsidies Received	25	106 421 217	97 124 941
Revenue from Exchange Transactions			
Service Charges	26	487 504	451 165
Rental of Facilities and Equipment	27	3 297 160	6 223 857
Interest Earned - External Investments	28	3 900 881	3 945 953
Interest Earned - Outstanding Debtors	28	94 603	91 372
Operational Revenue	29	602 231	2 044 146
Gains on Disposal of Property, Plant and Equipment	40	-	-
Total Revenue		**128 595 407**	**123 160 276**
EXPENDITURE			
Employee Related Costs	30	36 658 674	33 562 677
Remuneration of Councillors	31	4 313 323	4 202 268
Collection Costs	32	116 096	162 680
Depreciation and Amortisation	33	17 382 919	16 575 644
Impairment Losses	34	7 110 951	960 872
Repairs and Maintenance	35	2 994 118	1 929 488
Finance Costs	36	325 496	453 573
Contracted Services	37	9 105 310	8 318 864
Grants and Subsidies Paid	38	2 914 928	1 998 716
Operational Costs	39	25 630 029	25 639 127
Loss on Disposal of Property, Plant and Equipment	40	-	338
Total Expenditure		**106 551 845**	**93 804 248**
SURPLUS / (DEFICIT) FOR THE YEAR		**22 043 561**	**29 356 028**

Refer to Budget Statement for explanation of budget variances

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2016		
Balance at 30 June 2015	172 682 097	172 682 097
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	150 666 023	150 666 023
Restated Balance	**323 348 120**	**323 348 120**
Surplus / (Deficit) for the year	29 356 028	29 356 028
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance Expenditure	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
Balance at 30 June 2016	**352 704 148**	**352 704 148**
2017		
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	(6 967 948)	(6 967 948)
Restated Balance	**352 704 148**	**352 704 148**
Surplus / (Deficit) for the year	22 043 561	22 043 561
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance Expenditure	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
Balance at 30 June 2017	**374 747 710**	**374 747 710**

Details on the movement of the Funds and Reserves are set out in Note 20.

RICHMOND LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	Actual 2017 R	2016 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	21	9 046 467	8 768 911
Government Grant and Subsidies	25	103 994 765	97 511 779
Service Charges	26	318 226	209 202
Interest Received	28	3 900 881	3 945 953
Other Receipts	29	(13 719 814)	(7 814 370)
Payments			
Employee Related Costs	30	(35 958 508)	(32 261 957)
Remuneration of Councillors	31	(4 313 323)	(4 202 268)
Interest Paid	36	(325 496)	(453 573)
Suppliers Paid	37	(10 329 068)	(8 348 229)
Other Payments	39	(28 018 672)	(23 597 513)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**24 595 458**	**33 757 935**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(38 355 389)	(33 034 530)
Purchase of Intangible Assets	9	(1 647 420)	-
Purchase of Heritage Assets	8	(151 887)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(40 154 696)**	**(33 034 530)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	17	-	242 307
Repayment of Borrowings	17	(77 464)	(292 795)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(77 464)**	**(50 488)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(15 636 702)**	**672 917**
Cash and Cash Equivalents at Beginning of Period	6	47 736 089	47 063 172
Cash and Cash Equivalents at End of Period	6	32 099 387	47 736 089

RICHMOND LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	86 000	-	86 000	-	-	86 000	37 267	-	(48 733)	43.33	43.33
Receivables from Exchange Transactions	55 000	4 868 000	4 923 000	-	-	4 923 000	583 292	-	(4 339 708)	11.85	1 060.53
Receivables from Non-exchange Transactions	4 411 000	17 589 000	22 000 000	-	-	22 000 000	45 150 923	-	23 150 923	205.23	1 023.60
VAT Receivable	-	-	-	-	-	-	2 578 229	-	2 578 229	0.00	0.00
Cash and Cash Equivalents	59 081 000	(17 870 000)	41 191 000	-	-	41 191 000	32 099 387	-	(9 091 613)	77.93	54.35
Non-Current Assets		-				-					
Property, Plant and Equipment	156 730 000	14 325 000	171 055 000	-	-	171 055 000	323 351 622	-	152 296 622	189.03	206.31
Heritage Assets	61 000	-	61 000	-	-	61 000	212 767	-	151 767	348.80	348.80
Intangible Assets	8 000	-	8 000	-	-	8 000	1 635 457	-	1 627 457	20 443.21	20 443.21
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	7 820 000	-	3 705 000	190.04	190.04
Non-current Investments	-	-	-	-	-	-	266	-	266	0.00	0.00
Total Assets	224 527 000	18 912 000	243 439 000	-	-	243 439 000	413 469 210	-	170 030 210	169.83	184.15
Current Liabilities											
Provisions	356 000	(199 000)	157 000	-	-	157 000	176 997	-	19 997	112.74	49.72
Payables from Exchange Transactions	11 253 000	10 586 000	21 839 000	-	-	21 839 000	11 766 007	-	(10 072 993)	53.88	104.56
Payables from Non-exchange Transactions	-	-	-	-	-	-	4 028 741	-	4 028 741	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	5 376 905	-	5 376 905	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	401 432	-	401 432	0.00	0.00
Current Portion of Long-term Liabilities	496 000	-	496 000	-	-	496 000	34 669	-	(461 331)	6.99	6.99
Non-Current Liabilities											
Long-term Liabilities	41 000	5 000	46 000	-	-	46 000	-	-	(46 000)	0.00	0.00
Retirement Benefit Liabilities	9 255 000	1 423 000	10 678 000	-	-	10 678 000	11 189 979	-	511 979	104.79	120.91
Non-current Provisions	3 574 000	1 950 000	5 524 000	-	-	5 524 000	5 746 769	-	222 769	104.03	160.79
Total Liabilities	24 975 000	13 765 000	38 740 000	-	-	38 740 000	38 721 500	-	(18 500)	99.95	155.04
Total Assets and Liabilities	**199 552 000**	**5 147 000**	**204 699 000**	-	-	**204 699 000**	**374 747 710**	-	**170 048 710**	**183.07**	**187.79**
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	199 552 000	5 147 000	204 699 000	-	-	204 699 000	374 747 710	-	170 048 710	183.07	187.79
Total Net Assets	**199 552 000**	**5 147 000**	**204 699 000**	-	-	**204 699 000**	**374 747 710**	-	**170 048 710**	**183.07**	**187.79**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Inventories were over-budgeted for.

Receivables from Exchange Transactions:

It was over-budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

It was under-budgeted for Receivables from Exchange Transactions.

VAT Receivable:

NT Budget Templates not aligned to GRAP - included in Payables.

Cash and Cash Equivalents:

Capital Projects budgeted from grants, funded from own funds.

Property, Plant and Equipment:

It was under-budgeted for Infrastructure Projects.

Heritage Assets:

It was not budgeted for the acquisition of Heritage Assets.

Intangible Assets:

It was over-budgeted for Intangible Assets - immaterial amount.

Investment Property:

It was not budgeted for the increase in value of investment Property.

Non-current Investments:

Negligent amount.

Provisions:

Negligent amount.

Payables from Exchange Transactions:

NT Budget Template not aligned to GRAP - budget includes budget for Payables from Non-exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was not budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Current Portion of Long-term Liabilities:

It was over-budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was over-budgeted for Current Portion of Long-term Liabilities - finance leases expiring in 2017/18.

Accumulated Surplus / (Deficit):

It was under-budgeted for Accumulated Surplus.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	11 500 000	-	11 500 000	-	-	11 500 000	11 328 074	-	(171 926)	98.50	98.50
Property Rates - Penalties Imposed and collection charges	750 000	-	750 000	-	150 000	900 000	1 452 231	-	552 231	161.36	193.63
Fines	102 000	-	102 000	-	250 000	352 000	249 579	-	(102 421)	70.90	244.68
Licences and Permits	820 500	-	820 500	-	(565 000)	255 500	129 052	-	(125 548)	50.50	15.84
Income for Agency Services	535 570	-	535 570	-	17 000	552 570	631 974	-	79 404	114.37	118.00
Government Grants and Subsidies Received	86 029 000	(7 845 191)	78 183 809	-	(3 144 189)	75 039 620	70 336 778	-	(4 702 841)	93.73	81.76
Revenue from Exchange Transactions											
Service Charges	500 000	-	500 000	-	-	500 000	487 504	-	(12 496)	97.50	97.50
Rental of Facilities and Equipment	734 260	-	734 260	-	2 195 594	2 929 854	3 297 160	-	367 306	112.54	449.05
Interest Earned - External Investments	4 050 000	-	4 050 000	-	10 000	4 060 000	3 900 881	-	(159 119)	96.08	96.32
Interest Earned - Outstanding Debtors	75 000	-	75 000	-	15 000	90 000	94 603	-	4 603	105.11	126.14
Operational Revenue	364 500	-	364 500	-	217 000	581 500	602 231	-	20 731	103.57	165.22
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	105 460 830	(7 845 191)	97 615 639	-	(854 595)	96 761 044	92 510 968	-	(4 250 075)	95.61	87.72
Expenditure											
Employee Related Costs	39 969 508	-	39 969 501	-	(741 768)	39 227 740	36 658 674	-	(2 569 067)	93.45	91.72
Remuneration of Councillors	4 641 600	-	4 641 600	-	(97 220)	4 544 380	4 313 323	-	(231 057)	94.92	92.93
Collection Costs	100 000	-	100 000	-	35 000	135 000	118 096	-	(16 904)	86.00	118.10
Depreciation and Amortisation	8 922 944	-	8 922 944	-	2 594 136	11 517 080	17 362 919	5 865 839	5 865 839	150.93	194.61
Impairment Losses	960 000	-	960 000	-	425 000	1 385 000	7 110 951	5 725 951	5 725 951	513.43	740.72
Repairs and Maintenance	2 416 680	(55 000)	2 361 680	-	733 000	3 094 680	2 994 118	-	(100 562)	96.75	123.89
Finance Costs	570 000	-	570 000	-	(282 200)	287 800	325 496	37 696	37 696	113.10	57.10
Contracted Services	7 284 315	-	7 284 315	-	2 253 000	9 537 315	9 105 310	-	(432 005)	95.47	125.00
Grants and Subsidies Paid	905 000	-	905 000	-	510 000	1 415 000	2 914 928	1 499 928	1 499 928	206.00	322.09
Operational Costs	32 445 228	25 000	32 470 228	-	(54 550)	32 415 678	25 630 029	-	(6 785 649)	79.07	78.99
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	93 215 276	(30 000)	93 185 276	-	5 374 398	103 559 674	106 551 845	13 129 414	2 992 172	102.89	106.49
Surplus/(Deficit)	7 245 554	(7 815 191)	(569 637)	-	(6 228 993)	(6 798 630)	(14 040 877)	(13 129 414)	(7 242 247)	0.00	0.00
Transfers Recognised - Capital	17 376 000	7 845 191	25 221 191	-	-	25 221 191	36 084 439	10 863 248	10 863 248	143.07	207.67
Surplus/(Deficit for the Year	24 621 554	30 000	24 651 554	-	(6 228 993)	18 422 561	22 043 561	(2 266 167)	3 621 001	119.66	89.53

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates - Penalties Imposed and collection charges:

Penalties and Collection Charges Imposed exceeded budgetary expectations.

Fines:

It was over-budgeted for Traffic Fines.

Licences and Permits:

The Driver's Testing Centre did not come into operation as expected.

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Rental of Facilities and Equipment:

It was under-budgeted for rental received for the Plantation.

Collection Costs:

It was over-budgeted for Collection Costs.

Depreciation and Amortisation:

It was under budgeted for Depreciation and Amortisation.

Impairment Losses:

It was under-budgeted for Impairment Losses on Debtors and Capital Assets.

Finance Costs:

It was under-budgeted for Finance Costs.

Grants and Subsidies Paid:

It was under-budgeted for Grants and Subsidies Paid.

Operational Costs:

NT Budget Template not aligned to GRAP - Operational Costs include other streams of expenditure.

Loss on Disposal of Property, Plant and Equipment:

It was not budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	25 000	901 000	926 000	-	27 937	953 937	170 300	-	(783 637)	17.85	681.20
Budget and Treasury Office	160 000	2 788 000	2 948 000	-	(11 250)	2 936 750	1 152 308	-	(1 784 442)	39.24	720.19
Corporate Services	244 000	231 000	475 000	-	(416)	474 582	32 510	-	(442 072)	6.85	13.32
Community and Social Services	440 000	15 000	455 000	-	(142 783)	312 217	5 404 906	5 092 689	5 092 689	1 731.14	1 228.59
Sport and Recreation	15 090 000	(10 076 000)	5 014 000	-	314 500	5 328 500	-	-	(5 328 500)	0.00	0.00
Public Safety	380 000	284 000	664 000	-	300	664 300	222 144	-	(442 156)	33.44	58.46
Planning and Development	2 155 000	1 398 000	3 553 000	-	(16 500)	3 536 500	4 478 282	941 782	941 782	126.63	207.81
Roads and Transport	17 826 000	7 783 000	25 609 000	-	366	25 609 366	28 760 555	3 151 189	3 151 189	112.30	161.34
Waste Management	-	-	-	-	-	-	(66 310)	-	(66 310)	0.00	0.00
Total Capital Expenditure	**36 320 000**	**3 324 000**	**39 644 000**	**-**	**172 152**	**39 816 152**	**40 154 696**	**9 185 660**	**938 544**	**100.85**	**110.56**

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:
Budgeted expenditure for new vehicle incurred under Planning and Development.

Budget and Treasury Office:
Office renovations budgeted for, were not completed and are carried over to 2017/18.

Corporate Services:
Capital items budgeted for were not procured.

Community and Social Services:
Budget for capital assets included in Sport and Recreation.

Sport and Recreation:
Actual expenditure included under Community and Social Services.

Public Safety:
Actual expenditure included under other functions.

Planning and Development:
Expenditure for new vehicle budgeted for under Executive and Council.

Roads and Transport:
Projects budgeted for 2017/18 commenced in this financial year.

Waste Management:
Due to the decrease in the valuation of Rehabilitation of Landfill Sites, which was not anticipated and budgeted for.

30 June 2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	11 025 000	(1 105 000)	9 920 000	-	-	9 920 000	9 046 467	-	(873 533)	91.19	82.05
Grants	103 405 000	(3 316 000)	100 089 000	-	-	100 089 000	103 994 765	3 905 765	3 905 765	103.90	100.57
Service Charges	360 000	40 000	400 000	-	-	400 000	318 226	-	(81 774)	79.56	88.40
Interest Received	3 153 000	907 000	4 060 000	-	-	4 060 000	3 900 881	-	(159 119)	96.08	123.72
Other Receipts	5 572 000	(1 763 000)	3 809 000	-	-	3 809 000	(13 719 814)	-	(17 528 814)	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(35 958 508)	-	(35 958 508)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(4 313 323)	-	(4 313 323)	0.00	0.00
Interest Paid	(440 000)	292 000	(148 000)	-	-	(148 000)	(325 496)	-	(177 496)	0.00	0.00
Suppliers Paid	(85 003 000)	(3 153 000)	(88 156 000)	-	-	(83 156 000)	(10 329 068)	77 826 932	77 826 932	0.00	0.00
Other Payments	(550 000)	(340 000)	(890 000)	-	-	(890 000)	(28 018 872)	-	(27 128 872)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(36 320 000)	640 000	(35 680 000)	-	-	(35 680 000)	(38 355 389)	-	(2 675 389)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(1 847 420)	-	(1 847 420)	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	(151 887)	-	(151 887)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	(41 000)	91 000	50 000	-	-	50 000	(77 464)	-	(127 464)	0.00	0.00
Cash and Cash Equivalents at End of the Year	**1 161 000**	**(7 707 000)**	**(6 546 000)**	**-**	**-**	**(6 546 000)**	**(15 636 702)**	**81 732 017**	**(9 090 702)**	**0.00**	**0.00**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below.

Service Charges

It was over-budgeted for Service Charges.

Other Receipts

It was over-budgeted for Other Receipts.

Employee Related Costs

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Remuneration of Councillors

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Interest Paid

It was under-budgeted for Interest Paid.

Suppliers Paid

Budget not aligned to GRAP - other streams of expenditure included in budget for Suppliers Paid.

Other Payments

Included in budget for Suppliers Paid.

Purchase of Property, Plant and Equipment:

It was under-budgeted for Purchase of Property, Plant and Equipment.

Purchase of Intangible Assets:

It was not budgeted for Purchase of Intangible Assets.

Purchase of Heritage Assets:

It was not budgeted for Purchase of Heritage Assets.

Loans repaid:

It was under-budgeted for Loans Repaid.

Cash and Cash Equivalents at End of the Year:

It was over-budgeted for Cash and Cash Equivalents.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	125 000	-	125 000	-	-	125 000	1 223	-	(123 777)	0.98	0.98
Receivables from Exchange Transactions	1 615 000	-	1 615 000	-	-	1 615 000	530 002	-	(1 084 998)	32.82	32.82
Receivables from Non-exchange Transactions	1 391 000	-	1 391 000	-	-	1 391 000	22 643 001	-	21 252 001	1 627.82	1 627.82
VAT Receivable	-	-	-	-	-	-	3 934 672	-	3 934 672	0.00	0.00
Cash and Cash Equivalents	42 600 000	-	42 600 000	-	-	42 600 000	47 736 089	-	5 136 089	112.06	112.06
Non-Current Assets											
Property, Plant and Equipment	124 480 000	-	124 480 000	-	-	124 480 000	308 032 177	-	183 552 177	247.46	247.46
Heritage Assets	-	-	-	-	-	-	60 880	-	60 880	0.00	0.00
Intangible Assets	16 000	-	16 000	-	-	16 000	22 302	-	6 302	139.39	139.39
Investment Property	4 115 000	-	4 115 000	-	-	4 115 000	7 820 000	-	3 705 000	190.04	190.04
Non-current Investments	-	-	-	-	-	-	266	-	266	0.00	0.00
Total Assets	174 342 000	-	174 342 000	-	-	174 342 000	390 780 613	-	216 438 613	224.15	224.15
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	-	-	-	0.00	0.00
Provisions	-	-	-	-	-	-	176 581	-	176 581	0.00	0.00
Payables from Exchange Transactions	1 500 000	-	1 500 000	-	-	1 500 000	9 959 604	-	8 459 604	663.97	663.97
Payables from Non-exchange Transactions	-	-	-	-	-	-	3 642 652	-	3 642 652	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	7 803 357	-	7 803 357	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	367 234	-	367 234	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	65 656	-	65 656	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	-	-	-	-	-	-	48 447	-	48 447	0.00	0.00
Retirement Benefit Liabilities	9 194 000	-	9 194 000	-	-	9 194 000	10 490 229	-	1 296 229	114.10	114.10
Non-current Provisions	3 574 000	-	3 574 000	-	-	3 574 000	5 524 675	-	1 950 675	154.58	154.58
Total Liabilities	14 268 000	-	14 268 000	-	-	14 268 000	38 076 464	-	23 808 464	266.87	266.87
Total Assets and Liabilities	160 074 000	-	160 074 000	-	-	160 074 000	352 704 148	-	192 630 148	220.34	220.34
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	160 074 000	-	160 074 000	-	-	160 074 000	352 704 148	-	192 630 148	220.34	220.34
Total Net Assets	160 074 000	-	160 074 000	-	-	160 074 000	352 704 148	-	192 630 148	220.34	220.34

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget **and Actual** Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Inventories:

Inventories were over-budgeted for.

Receivables from Exchange Transactions:

It was over-budgeted for Receivables from Exchange Transactions.

Receivables from Non-exchange Transactions:

It was under-budgeted for Receivables from Exchange Transactions.

VAT Receivable:

Claim for Input VAT not yet paid by SARS. NT Budget Templates not aligned to GRAP - included in Payables.

Cash and Cash Equivalents:

It was not budgeted for Unspent Grants at year-end.

Property, Plant and Equipment:

It was under-budgeted for Infrastructure Projects.

Heritage Assets:

NT Budget Template not aligned to GRAP - included in budget for Property, Plant & Equipment.

Intangible Assets:

It was over-budgeted for Intangible Assets - immaterial amount.

Non-current Investments:

Negligent amount.

Provisions:

It was not budgeted for Provisions.

Payables from Exchange Transactions:

It was under-budgeted for Payables from Exchange Transactions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

It was over-budgeted for Unspent Grants at year-end.

Operating Lease Liabilities:

NT Budget Template not aligned to GRAP - included in budget for Payables from Exchange Transactions.

Current Portion of Long-term Liabilities:

It was not budgeted for Current Portion of Long-term Liabilities.

Long-term Liabilities:

It was not budgeted for Long-term Liabilities.

Retirement Benefit Liabilities:

Included in budget for Non-current Provisions.

Non-current Provisions:

Includes budget for Retirement Benefit Liabilities

Accumulated Surplus / (Deficit):

It was over budgeted for Accumulated Surplus.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 200 000	-	8 200 000	1 900 000	1 400 000	10 600 000	10 935 181	-	335 181	103.63	133.97
Property Rates - Penalties Imposed and collection charges	400 000	-	400 000	80 000	220 000	700 000	1 282 718	-	582 718	183.25	320.68
Fines	252 500	-	252 500	(200 000)	-	52 500	355 999	-	303 499	678.09	140.99
Licences and Permits	336 000	-	336 000	100	(160 600)	175 500	83 377	-	(92 123)	47.51	24.81
Income for Agency Services	408 500	-	408 500	80 000	5 200	493 700	571 567	-	77 867	115.77	139.92
Government Grants and Subsidies Received	54 860 000	-	54 860 000	17 176 999	26 204 027	98 241 026	69 869 281	-	(28 371 745)	71.12	127.36
Revenue from Exchange Transactions											
Service Charges	488 820	-	488 820	(70 000)	31 180	450 000	451 165	-	1 165	100.26	92.30
Rental of Facilities and Equipment	1 089 788	-	1 089 788	5 289 235	(2 629 503)	3 749 500	6 223 857	-	2 474 357	165.99	571.12
Interest Earned - External Investments	1 700 000	-	1 700 000	150 000	1 235 000	3 085 000	3 945 953	-	860 953	127.91	232.11
Interest Earned - Outstanding Debtors	70 180	-	70 180	56 000	(41 180)	85 000	91 372	-	6 372	107.50	130.20
Operational Revenue	345 490	-	345 490	37 100	1 483 989	1 866 579	2 044 146	-	177 567	109.51	591.67
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	68 151 258	-	68 151 258	23 599 434	27 748 112	119 498 805	95 904 616	-	(23 594 189)	80.26	140.72
Expenditure											
Employee Related Costs	26 938 298	-	26 938 229	-	8 852 336	35 790 634	33 562 677	-	(2 227 957)	93.78	124.59
Remuneration of Councillors	3 908 226	-	3 908 226	-	371 718	4 279 944	4 202 268	-	(77 676)	98.19	107.52
Collection Costs	50 000	-	50 000	-	110 000	160 000	162 680	2 680	2 680	101.67	325.36
Depreciation and Amortisation	5 583 778	-	5 583 778	-	2 860 507	8 444 285	16 575 644	8 131 359	8 131 359	196.29	296.85
Impairment Losses	-	-	-	-	1 770 000	1 770 000	960 872	-	(809 128)	54.29	0.00
Repairs and Maintenance	3 524 070	-	3 524 070	-	(1 141 670)	2 382 400	1 929 488	-	(452 912)	80.99	54.75
Finance Costs	1 300	-	1 300	-	358 700	360 000	453 573	93 573	93 573	125.99	34 890.24
Contracted Services	3 256 740	-	3 256 740	-	9 484 813	12 741 553	8 318 864	-	(4 422 689)	65.29	255.44
Grants and Subsidies Paid	725 000	-	725 000	-	2 252 138	2 977 138	1 998 716	-	(978 422)	67.14	275.68
Operational Costs	13 587 283	-	13 587 283	-	14 391 142	27 978 425	25 639 127	-	(2 339 298)	91.64	188.70
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	20 000	20 000	338	-	(19 662)	1.69	0.00
Total Expenditure	57 574 695	-	57 574 695	-	39 329 684	96 904 379	93 804 248	8 227 612	(3 100 131)	96.80	162.93
Surplus/(Deficit)	10 576 563	-	10 576 563	23 599 434	(11 581 571)	22 594 426	2 100 338	(8 227 612)	(20 494 058)	9.30	19.86
Transfers Recognised - Capital	-	-	-	-	-	-	27 255 660	27 255 660	27 255 660	0.00	0.00
Surplus/(Deficit for the Year	10 576 563	-	10 576 563	23 599 434	(11 581 571)	22 594 426	29 356 026	19 028 048	6 761 602	129.93	277.56

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget **and Actual** Amount on the various items disclosed in the Statement of Financial Performance are explained below.

Property Rates - Penalties Imposed and collection charges:

Penalties and Collection Charges Imposed exceeded budgetary expectations.

Fines:

Fines issued and paid exceeded budgetary expectations, and the stipulations of IGRAP1 was not considered during the budgeting process.

Licences and Permits:

The Driver's Testing Centre did not come into operation as expected.

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

Rental of Facilities and Equipment:

It was over budgeted for rental received for the Plantation.

Interest Earned - External Investments:

It was not budgeted for Unspent Grants at year-end.

Depreciation and Amortisation:

It was under budgeted for Depreciation and Amortisation.

Impairment Losses:

It was over-budgeted for Impairment Losses on Debtors.

Repairs and Maintenance:

It was over-budgeted for Repairs and Maintenance.

Finance Costs:

It was under-budgeted for Finance Costs.

Contracted Services:

It was over-budgeted for Contracted Services.

Grants and Subsidies Paid:

It was over-budgeted for Grants and Subsidies Paid.

Loss on Disposal of Property, Plant and Equipment:

It was over-budgeted for Loss on Disposal of Property, Plant and Equipment.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	100 000	1 666 648	1 766 648	-	-	1 766 648	287 504	-	(1 479 144)	16.27	287.50
Budget and Treasury Office	-	10 000	10 000	-	14 400	24 400	22 924	-	(1 476)	93.95	0.00
Corporate Services	343 000	14 400	357 400	-	(14 400)	343 000	33 655	-	(309 345)	9.81	9.81
Community and Social Services	581 000	224 989	805 989	-	-	805 989	3 385 580	2 579 591	2 579 591	420.05	582.72
Sport and Recreation	1 226 000	948 000	2 174 000	-	-	2 174 000	-	-	(2 174 000)	0.00	0.00
Public Safety	634 000	2 158 500	2 792 500	-	-	2 792 500	406 304	-	(2 386 196)	14.55	64.09
Planning and Development	130 000	5 026 000	5 156 000	-	-	5 156 000	3 401 845	-	(1 754 155)	65.98	2 616.80
Roads and Transport	22 537 000	11 740 580	34 277 580	-	-	34 277 580	22 325 819	-	(11 951 761)	65.13	99.06
Waste Management	300 000	5 700	305 700	-	-	305 700	3 170 889	2 865 199	2 865 199	1 037.26	1 056.97
Total Capital Expenditure	25 851 000	21 794 817	47 646 817	-	-	47 645 817	33 034 530	5 444 790	(14 611 287)	69.33	127.79

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:
Planned construction of Municipal Manager's office did not take place.

Corporate Services:
Budget for capital assets included in Public Safety.

Community and Social Services:
Richmond Drivers' Testing Centre budgeted for under Public Safety.

Sport and Recreation:
Projects budgeted for, were not completed and are carried over to 2016/17.

Public Safety:
Richmond Drivers' Testing Centre expenditure incurred under Community and Social Services.

Planning and Development:
Projects budgeted for, were not completed and are carried over to 2016/17.

Roads and Transport:
Projects budgeted for, were not completed and are carried over to 2016/17.

Waste Management:
The excess expenditure is due to the increase in the valuation of Rehabilitation of Landfill Sites, which was not anticipated and budgeted for.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	9 360 000	-	9 360 000	-	-	9 360 000	8 768 911	-	(591 089)	93.68	93.68
Grants	86 982 000	-	86 982 000	-	-	86 982 000	97 511 779	10 529 779	10 529 779	112.11	112.11
Service Charges	405 000	-	405 000	-	-	405 000	209 202	-	(195 798)	51.65	51.65
Interest Received	2 500 000	-	2 500 000	-	-	2 500 000	3 945 953	1 445 953	1 445 953	157.84	157.84
Other Receipts	4 345 174	-	4 345 174	-	-	4 345 174	(7 814 370)	-	(12 159 544)	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(32 261 957)	-	(32 261 957)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(4 202 268)	-	(4 202 268)	0.00	0.00
Interest Paid	(175 000)	-	(175 000)	-	-	(175 000)	(453 573)	-	(278 573)	0.00	0.00
Suppliers Paid	(79 892 737)	-	(79 892 737)	-	-	(79 892 737)	(8 348 229)	71 544 508	71 544 508	0.00	0.00
Other Payments	-	-	-	-	-	-	(23 597 513)	-	(23 597 513)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(25 850 650)	-	(25 850 650)	-	-	(25 850 650)	(33 034 530)	-	(7 183 880)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-Term Receivables	13 164 000	-	13 164 000	-	-	13 164 000	-	-	(13 164 000)	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	242 307	242 307	242 307	0.00	0.00
Loans repaid	-	-	-	-	-	-	(292 795)	-	(292 795)	0.00	0.00
Cash and Cash Equivalents at End of the Year	10 837 787	-	10 837 787	-	-	10 837 787	672 917	83 762 546	(10 164 870)	6.21	6.21

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Grants

It was under-budgeted for Grants.

Service Charges

It was over-budgeted for Service Charges.

Interest Received

It was under-budgeted for Interest Received.

Other Receipts

It was over-budgeted for Other Receipts.

Employee Related Costs

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Remuneration of Councillors

Budget not aligned to GRAP - included in budget for Suppliers Paid.

Interest Paid

It was under-budgeted for Interest Paid.

Suppliers Paid

Budget not aligned to GRAP - other streams of expenditure included in budget for Suppliers Paid.

Other Payments

Included in budget for Suppliers Paid.

Purchase of Property, Plant and Equipment

It was under-budgeted for Purchase of Property, Plant and Equipment.

Decrease / (Increase) in Long-term Receivables:

It was over-budgeted for Long-term Receivables.

New Loans raised:

It was not budgeted for Loans Raised.

Loans repaid:

It was not budgeted for Loans Repaid.

Cash and Cash Equivalents at End of the Year:

It was over-budgeted for Cash and Cash Equivalents.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2016/17		2015/16
	R		R
Net surplus/(deficit) per the statement of financial performance	22 043 561		29 356 028
Revenue from Non-exchange Transactions			
Property Rates			
Property Rates - Penalties Imposed and collection charges	171 926		(2 785 181)
Fines	(952 231)		(882 718)
Licences and Permits	102 421		(103 499)
Revenue for Agency Services	125 548		252 823
Government Grants and Subsidies Received	(79 404)		(163 067)
	(6 160 406)		(42 264 941)
Revenue from Exchange Transactions			
Service Charges			
Rental of Facilities and Equipment	12 498		37 655
Interest Earned - External Investments	(367 306)		(5 134 089)
Interest Earned - Outstanding Debtors	159 119		(2 245 953)
Operational Revenue	(4 603)		(21 192)
Gains on Disposal of Property, Plant and Equipment	(20 731)		(1 698 656)
	-		-
Expenditure			
Employee Related Costs			
Remuneration of Councillors	(2 569 067)		6 824 379
Collection Costs	(231 057)		294 042
Depreciation and Amortisation	(18 904)		112 880
Impairment Losses	5 865 839		10 991 866
Repairs and Maintenance	5 725 951		960 572
Finance Costs	(100 562)		(1 524 562)
Contracted Services	37 696		452 273
Grants and Subsidies Paid	(432 005)		5 062 124
Operational Costs	1 499 928		1 273 716
Loss on Disposal of Property, Plant and Equipment	(6 785 649)		12 051 844
	-		338
Net surplus/deficit per approved budget	18 422 561		10 576 563

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

(a) Is required by a Standard of GRAP; or
(b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors 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 is performed per service-identifiable categories across all classes of debtors.

  The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3, 4 and N/A to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 5.2 and 6.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The assessment and considerations of useful lives are set out in Accounting Policy 8, Estimation of Useful Lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10. on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 7, 8, 9 and 10 to the Annual Financial Statements, if applicable.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, 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 before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Housing Development Fund (HDF):

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is cash-backed. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

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

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		**Other**	
Improvements	10 - 30	Bins and Containers	5 - 15
		Computer Equipment	5 - 10
Infrastructure		Emergency Equipment	5 - 10
Electricity	5 - 30	Furniture and Fittings	5 - 15
Roads and Paving	10 - 80	Motor Vehicles	7 - 15
Sanitation	7 - 55	Office Equipment	5 - 15
Water	50	Plant and Equipment	5 - 15
		Specialist Vehicles	10 - 20
Community		Other Assets	25 - 30
Community Facilities	15 - 30		
Recreational Facilities	15 - 30		

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

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

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. HERITAGE ASSETS

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.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

4.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item 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. 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 by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

4.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

4.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position 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.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

(a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
(b) Management intends to complete the Intangible Asset and use or sell it;
(c) There is an ability to use or sell the Intangible Asset;
(d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
(e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
(f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

5.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6.1 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, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
(b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
(c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
(d) A property owned by the municipality and leased out at a below market rental; and
(e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

(a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
(b) Property being constructed or developed on behalf of third parties;
(c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
(d) Property that is leased to another entity under a finance lease;
(e) Property held to provide goods and services and also generates cash inflows; and
(f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

6.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

6.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) 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.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

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 is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its 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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service 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 is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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 service 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.

8. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful live of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful live of an asset has changed. If any such indication exists, the useful live is changed.

Any change in the useful live is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

(a) The composition of the asset has changed.

(b) The use of the asset has changed because of the following:

(i) The municipality has changed the manner in which the asset is used;

(ii) The municipality has changed the utilisation rate of the asset;

(iii) The municipality has made the decision to dispose of the asset during a future reporting reporting period which results in a change in the useful life of the asset;

(iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and

(v) The asset was idle or retired during the current reporting period.

(c) The asset is approaching its previously expected useful life.

(d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.

(e) The asset is assessed as being impaired in accordance with the Accounting Policy 7.1 and 7.2 on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy 7.1 and 7.2 on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
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.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions
The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method
The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost
Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  (i) Derivatives;
  (ii) Combined instruments that are designated at fair value;
  (iii) Instruments held for trading;
  (iv) Non-derivative Financial Instruments 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.

- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

(i) Financial Liabilities measured at Fair Value;
(ii) Financial Liabilities measured at Amortised Cost; or
(iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Financial Assets measured at Amortised Cost
Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value
Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

9.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value
Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost
Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts 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. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9.4.2 Financial Assets 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 shall not be reversed.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except 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.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only 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.

10. INVENTORIES

10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10.2 Subsequent Measurement

10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the weighted average cost of commodities.

Inventories distributed through a non-exchange transaction and those consumed in the production process of goods to be distributed at no or nominal cost are subsequently measured at the lower of cost and current replacement cost.

10.2.2 Other Inventories

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.3 Finance 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.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

11.2.4 Tariff Charges

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

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

(a) The municipality has transferred to the buyer 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; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

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-proportionate 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.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. 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 criteria, conditions or obligations 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.

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

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. 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 criteria, conditions or obligations 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder 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.

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

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

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

12. PROVISIONS

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

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered 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 charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially 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.

Defined Benefit Pension Plans
The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

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

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. 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 (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises 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. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle 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.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

25. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

27. COMPARATIVE INFORMATION

27.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

27.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

27.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2016 to 30 June 2017.

	2017 R	2016 R

1. GENERAL INFORMATION

Richmond Local Municipality (the municipality) is a local government institution in Richmond, Kwa-Zulu Natal Province, and is one of six local municipalities under the jurisdiction of the uMgungundlovu District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumables	37 267	1 223
Total Inventories	**37 267**	**1 223**

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R98 162 (2016: R574 940).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Service Debtors:	448 484	253 400	195 085
Refuse	448 484	253 400	195 085
Other Receivables	693 980	305 773	388 207
Total Receivables from Exchange Transactions	**1 142 465**	**559 173**	**583 292**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	385 245	215 516	169 729
Refuse	385 245	215 516	169 729
Other Receivables	587 941	227 669	360 273
Total Receivables from Exchange Transactions	**973 187**	**443 185**	**530 002**

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2017, the municipality is owed R3 194 114 (30 June 2016: R2 270 539) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

	2017 R	2016 R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	15 533	24 802	20 138	388 012	448 484
Less: Provision for Impairment	-	-	-	253 400	253 400
Net Balances	**15 533**	**24 802**	**20 138**	**134 612**	**195 085**
Other Receivables:					
Gross Balances	(225 981)	55 747	27 687	836 528	693 980
Less: Provision for Impairment	-	-	-	305 773	305 773
Net Balances	**(225 981)**	**55 747**	**27 687**	**530 755**	**388 207**

As at 30 June Receivables of R793 740 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	(210 448)	80 548	47 824	1 224 540	1 352 913
Less: Provision for Impairment	-	-	-	559 173	559 173
Net Balances	**(210 448)**	**80 548**	**47 824**	**665 367**	**793 740**

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	10 399	21 489	15 621	337 736	385 245
Less: Provision for Impairment	-	-	-	215 516	215 516
Net Balances	**10 399**	**21 489**	**15 621**	**122 219**	**169 729**
Other Receivables:					
Gross Balances	49 319	22 313	20 030	496 279	587 941
Less: Provision for Impairment	-	-	-	227 669	227 669
Net Balances	**49 319**	**22 313**	**20 030**	**268 611**	**360 273**

As at 30 June Receivables of R470 284 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	59 718	43 803	35 651	834 015	913 469
Less: Provision for Impairment	-	-	-	443 185	443 185
Net Balances	**59 718**	**43 803**	**35 651**	**390 830**	**470 284**

	2017 R	2016 R

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

As at 30 June 2017	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
Current:				
0 - 30 days	14 758	16 720	(231 327)	(10 598)
Past Due:				
31 - 60 Days	55 500	10 102	12 680	2 267
61 - 90 Days	28 719	4 259	12 680	2 166
+ 90 Days	656 384	108 218	331 421	128 516
Sub-total	755 362	139 299	125 454	122 351
Less: Provision for Impairment	471 601	85 271	-	2 301
Total Trade Receivables by Customer Classification	**283 760**	**54 028**	**125 454**	**120 049**

As at 30 June 2016	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
Current:				
0 - 30 days	34 293	6 881	22 193	(3 649)
Past Due:				
31 - 60 Days	24 556	6 113	11 192	1 942
61 - 90 Days	19 217	4 146	11 192	1 096
+ 90 Days	477 792	111 943	139 243	105 037
Sub-total	555 857	129 084	183 818	104 427
Less: Provision for Impairment	355 366	86 042	-	1 777
Total Trade Receivables by Customer Classification	**200 492**	**43 042**	**183 818**	**102 650**

	2017 R	2016 R

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	443 185	366 449
Impairment Losses recognised	115 988	76 736
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	**559 173**	**443 185**

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

	2017 R	2016 R
3.4 Ageing of Impaired Receivables from Exchange Transactions		
Current:		
0 - 30 Days	-	-
Past Due:		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	559 173	443 185
Total	**559 173**	**443 185**

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2017	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	13 163 200	7 065 705	6 097 495
Payments made in Advance	3 458	-	3 458
Accruals	414 688	-	414 688
Sundry Deposits	27 084	-	27 084
Sundry Debtors	38 830 792	224 706	38 606 086
Suspense Accounts	2 112	-	2 112
Total Receivables from Non-exchange Transactions	**52 441 333**	**7 290 411**	**45 150 923**

As at 30 June 2016	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Assessment Rates Debtors	10 881 592	5 982 738	4 898 855
Payments made in Advance	3 144	-	3 144
Accruals	666 178	-	666 178
Sundry Deposits	27 084	-	27 084
Sundry Debtors	17 371 422	324 997	17 046 425
Suspense Accounts	1 314	-	1 314
Total Receivables from Non-exchange Transactions	**28 950 736**	**6 307 735**	**22 643 001**

The prior year amount for *Receivables from Non-exchange Transactions* has been adjusted. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Sundry Deposits are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

	2017 R	2016 R

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	(1 841 802)	323 062	233 474	14 448 466	13 163 200
Less: Provision for Impairment	-	-	-	7 065 705	7 065 705
Net Balances	**(1 841 802)**	**323 062**	**233 474**	**7 382 761**	**6 097 495**
Payments made in Advance:					
Gross Balances	3 458	-	-	-	3 458
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**3 458**	**-**	**-**	**-**	**3 458**
Accruals:					
Gross Balances	414 688	-	-	-	414 688
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**414 688**	**-**	**-**	**-**	**414 688**
Sundry Deposits:					
Gross Balances	27 084	-	-	-	27 084
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**27 084**	**-**	**-**	**-**	**27 084**
Sundry Debtors:					
Gross Balances	38 830 792	-	-	-	38 830 792
Less: Provision for Impairment	224 706	-	-	-	224 706
Net Balances	**38 606 086**	**-**	**-**	**-**	**38 606 086**
Suspense Accounts:					
Gross Balances	2 112	-	-	-	2 112
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**2 112**	**-**	**-**	**-**	**2 112**

As at 30 June Receivables of R7 939 297 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	37 436 332	323 062	233 474	14 448 466	15 005 002
Less: Provision for Impairment	224 706	-	-	7 065 705	7 065 705
Net Balances	**37 211 626**	**323 062**	**233 474**	**7 382 761**	**7 939 297**

	2017 R	2016 R

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	121 153	278 349	220 727	10 261 363	10 881 592
Less: Provision for Impairment	-	-	-	5 982 738	5 982 738
Net Balances	**121 153**	**278 349**	**220 727**	**4 278 625**	**4 898 855**
Payments made in Advance:					
Gross Balances	3 144	-	-	-	3 144
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**3 144**	**-**	**-**	**-**	**3 144**
Accruals:					
Gross Balances	666 178	-	-	-	666 178
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**666 178**	**-**	**-**	**-**	**666 178**
Sundry Deposits:					
Gross Balances	27 084	-	-	-	27 084
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**27 084**	**-**	**-**	**-**	**27 084**
Sundry Debtors:					
Gross Balances	17 371 422	-	-	-	17 371 422
Less: Provision for Impairment	324 997	-	-	-	324 997
Net Balances	**17 046 425**	**-**	**-**	**-**	**17 046 425**
Suspense Accounts:					
Gross Balances	1 314	-	-	-	1 314
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**1 314**	**-**	**-**	**-**	**1 314**

As at 30 June Receivables of R4 777 702 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	18 190 296	278 349	220 727	10 261 363	10 760 439
Less: Provision for Impairment	324 997	-	-	5 982 738	5 982 738
Net Balances	**17 865 299**	**278 349**	**220 727**	**4 278 625**	**4 777 702**

	2017 R	2016 R

4.2 Summary of Assessment Rates Debtors by Customer Classification

As at 30 June 2017	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
Current:				
0 - 30 days	(200 660)	(24 317)	(0)	(1 616 825)
Past Due:				
31 - 60 Days	136 162	49 772	4 216	132 912
61 - 90 Days	120 312	41 724	4 216	67 223
+ 90 Days	4 613 667	1 083 172	3 060 229	5 691 398
Sub-total	4 669 481	1 150 351	3 068 660	4 274 708
Less: Provision for Impairment	4 130 348	977 887	-	1 957 470
Total Rates Debtors by Customer Classification	**539 133**	**172 464**	**3 068 660**	**2 317 237**

As at 30 June 2016	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
Current:				
0 - 30 days	365 653	(36 022)	(13 729)	(194 749)
Past Due:				
31 - 60 Days	130 773	69 627	443	77 507
61 - 90 Days	101 462	63 751	443	55 071
+ 90 Days	3 606 636	1 235 084	2 099 565	3 320 078
Sub-total	4 204 524	1 332 440	2 086 721	3 257 907
Less: Provision for Impairment	3 194 104	1 051 992	-	1 736 642
Total Rates Debtors by Customer Classification	**1 010 421**	**280 448**	**2 086 721**	**1 521 266**

	2017 R	2016 R

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	6 307 735	5 554 802
Impairment Losses recognised	1 307 673	884 137
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(324 997)	(131 204)
Balance at end of year	**7 290 411**	**6 307 735**

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

	2017 R	2016 R

5. VAT RECEIVABLE

Vat Receivable	**2 578 229**	**3 934 672**

VAT Receivable has been restated to correctly classify amounts receivable. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments	31 292 496	47 266 038
Bank Accounts	803 691	466 851
Cash and Cash Equivalents	3 200	3 200
Total Bank, Cash and Cash Equivalents	**32 099 387**	**47 736 089**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	31 292 496	47 266 038
Total Current Investment Deposits	**31 292 496**	**47 266 038**

The Municipality has the following bank accounts:

Call Deposits:

	Bank Statement Balance		Cashbook / Ledger Balance	
	2017 R	2016 R	2017 R	2016 R
Call Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 613 5600 2695:				
Balance at beginning of year	60 008	32 686 196	60 008	32 686 196
Balance at end of year	7 090	60 008	7 090	60 008
Housing Operating Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 3447 3280:				
Balance at beginning of year	275 173	260 022	275 173	260 022
Balance at end of year	293 019	275 173	293 019	275 173
Financial Management Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 4181 7537:				
Balance at beginning of year	130 162	625 672	130 162	625 672
Balance at end of year	-	130 162	-	130 162
Library Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 623 3852 5928:				
Balance at beginning of year	316 233	178 446	316 233	178 446
Balance at end of year	-	316 233	-	316 233

			2017 R	2016 R
Municipal Infrastructure Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 9962 9116:				
Balance at beginning of year	279 972	5 676 199	279 972	5 676 199
Balance at end of year	-	279 972	-	279 972
Municipal Systems Integration Grant Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 622 4181 7727:				
Balance at beginning of year	272 540	537 083	272 540	537 083
Balance at end of year	-	272 540	-	272 540
Patheni Housing Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 1717 0407:				
Balance at beginning of year	182 449	172 310	182 449	172 310
Balance at end of year	194 281	182 449	194 281	182 449
Slya Phase II Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 7617 4383:				
Balance at beginning of year	343 870	324 937	343 870	324 937
Balance at end of year	366 171	343 870	366 171	343 870
Zwelethu Housing Account:-				
First National Bank - Richmond Branch, Richmond - Account Number 621 5568 2844:				
Balance at beginning of year	405 630	383 113	405 630	383 113
Balance at end of year	431 935	405 630	431 935	405 630
Call Account:-				
Nedbank - City Branch, Durban - Account Number 03/7165013946/00028/29/30:				
Balance at beginning of year	45 000 000	-	45 000 000	-
Balance at end of year	30 000 000	45 000 000	30 000 000	45 000 000
Grants Account:-				
Nedbank - City Branch, Durban - Account Number 03/7165013946/000013:				
Balance at beginning of year	-	314 753	-	314 753
Balance at end of year	-	-	-	-
Small Town Development Grant Account:-				
Nedbank - City Branch, Durban - Account Number 03/7165013946/00001:				
Balance at beginning of year	-	4 637 803	-	4 637 803
Balance at end of year	-	-	-	-

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 0,50 % to 7,86 % (2016: 5,30% to 7,77%) per annum.

Deposits attributable to Unspent Conditional Grants	5 376 905	7 803 357
Deposits attributable to Creditors	11 766 007	9 959 604
Deposits attributable to Current Provisions	176 997	176 581
Deposits attributable to Rehabilitation of Landfill Site	5 746 769	5 524 675
Deposits attributable to Long-service Awards	1 849 191	1 626 815
Deposits attributable to Retirement Benefits	6 376 626	8 863 414
Deposits attributable to Provision for Impairment	-	6 750 919
Deposits available for Operations	-	6 560 673
Total Deposits attributable to Commitments of the Municipality	**31 292 496**	**47 266 038**

	2017 R	2016 R
6.2 Bank Accounts		
Cash in Bank	803 691	466 851
Total Bank Accounts	**803 691**	**466 851**

The Municipality has the following bank accounts:

Primary Bank Account		
First National Bank - Richmond Branch, Richmond - Account Number 535 6532 2104:		
Cash book balance at beginning of year	466 851	1 263 438
Cash book balance at end of year	803 691	466 851
Bank statement balance at beginning of year	466 851	1 263 438
Bank statement balance at end of year	803 691	466 851

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents		
Cash Floats and Advances	3 200	3 200
Total Cash on hand in Cash Floats, Advances and Equivalents	**3 200**	**3 200**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2016	**60 746 733**	**21 322 436**	**165 886 563**	**45 693 120**	**14 263 032**	**120 291**	**308 032 177**
Cost	60 746 733	31 839 951	243 444 020	55 587 258	20 664 224	242 307	412 524 493
- *Completed Assets*	*60 746 733*	*32 325 150*	*239 318 112*	*54 462 891*	*20 664 224*	*242 307*	*407 759 217*
- *Under Construction*	-	*(485 198)*	*4 125 908*	*1 124 367*	-	-	*4 765 276*
Correction of error (Note 42)	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	0	0	-	0
Accumulated Depreciation:	-	(10 517 515)	(77 557 457)	(9 894 137)	(6 401 192)	(122 016)	(104 492 316)
- *Cost*	-	*(10 517 515)*	*(77 557 457)*	*(9 894 137)*	*(6 401 192)*	*(122 016)*	*(104 492 316)*
Acquisitions	-	-	(66 310)	-	4 424 916	-	4 358 606
Capital under Construction - Additions:	-	2 581 017	28 760 556	2 655 211	-	-	33 996 783
- *Cost*	-	*2 581 017*	*28 760 556*	*2 655 211*	-	-	*33 996 783*
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(904 323)	(11 490 593)	(3 061 805)	(1 802 144)	(89 788)	(17 348 654)
- *Based on Cost*	-	*(904 323)*	*(11 490 593)*	*(3 061 805)*	*(1 802 144)*	*(89 788)*	*(17 348 654)*
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-
Impairment Losses	-	(239 525)	(1 370 475)	(2 336 322)	(1 740 968)	-	(5 687 289)
Capital under Construction - Completed	-	(541 816)	(7 988 519)	(262 360)	-	-	(8 792 695)
Other Movements	-	72 462	7 988 357	731 876	-	-	8 792 695
- Cost	-	72 462	7 988 357	731 876	-	-	8 792 695
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-
Carrying values at 30 June 2017	**60 746 733**	**22 290 250**	**181 719 578**	**43 419 721**	**15 144 836**	**30 503**	**323 351 622**
Cost	60 746 733	33 951 613	272 138 103	58 711 985	25 089 140	242 307	450 879 882
- *Completed Assets*	*60 746 733*	*32 397 611*	*247 240 159*	*55 194 567*	*25 089 140*	*242 307*	*420 910 517*
- *Under Construction*	-	*1 554 002*	*24 597 945*	*3 517 418*	-	-	*29 969 364*
Accumulated Impairment Losses	-	(239 525)	(1 370 475)	(2 336 322)	(1 740 968)	-	(5 687 289)
Accumulated Depreciation:	-	(11 421 838)	(89 048 050)	(12 955 942)	(8 203 337)	(211 804)	(121 840 970)
- *Cost*	-	*(11 421 838)*	*(89 048 050)*	*(12 956 942)*	*(8 203 337)*	*(211 804)*	*(121 840 970)*

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2015	**60 746 733**	**22 224 752**	**151 539 252**	**45 432 458**	**11 421 844**	**199 900**	**291 564 939**
Cost	60 746 733	31 865 623	217 909 469	52 320 598	16 417 693	242 307	379 502 423
- *Completed Assets*	*60 746 733*	*31 380 424*	*190 200 353*	*40 126 696*	*16 417 693*	*242 307*	*339 114 216*
- *Under Construction*	-	*485 198*	*27 709 100*	*12 193 902*	-	-	*40 386 207*
Correction of error (Note 42)	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	0	0	-	0
Accumulated Depreciation:	-	(9 640 871)	(66 370 217)	(6 888 140)	(4 995 849)	(42 407)	(87 937 484)
- *Cost*	-	*(9 640 871)*	*(66 370 217)*	*(6 888 140)*	*(4 995 849)*	*(42 407)*	*(87 937 484)*
Acquisitions	-	252 234	3 170 899	405 658	4 258 991	-	8 087 782
Capital under Construction - Additions:	-	-	22 325 819	2 620 929	-	-	24 946 748
- *Cost*	-	-	*22 325 819*	*2 620 929*	-	-	*24 946 743*
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(876 644)	(11 187 240)	(3 005 997)	(1 417 465)	(79 608)	(16 566 955)
- *Based on Cost*	-	*(876 644)*	*(11 187 240)*	*(3 005 997)*	*(1 417 465)*	*(79 608)*	*(16 566 955)*
Carrying value of Disposals:	-	-	-	-	(338)	-	(338)
- Cost	-	-	-	-	(12 460)	-	(12 460)
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	12 122	-	12 122
- *Based on Cost*	-	-	-	-	*12 122*	-	*12 122*
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(970 397)	(45 909 017)	(13 690 264)	-	-	(60 569 678)
Other Movements	-	692 491	45 946 850	13 930 337	-	-	60 569 678
- Cost	-	692 491	45 946 850	13 930 337	-	-	60 569 678
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-
Carrying values at 30 June 2016	**60 746 733**	**21 322 436**	**165 886 563**	**45 693 120**	**14 263 032**	**120 291**	**308 032 177**
Cost	60 746 733	31 839 951	243 144 020	55 527 258	20 664 224	242 307	412 524 493
- *Completed Assets*	*60 746 733*	*32 325 150*	*239 318 112*	*54 462 691*	*20 664 224*	*242 307*	*407 759 217*
- *Under Construction*	-	*(485 198)*	*4 125 908*	*1 124 567*	-	-	*4 765 276*
Accumulated Impairment Losses	-	-	-	0	0	-	0
Accumulated Depreciation:	-	(10 517 515)	(77 557 457)	(9 894 137)	(6 401 192)	(122 016)	(104 492 316)
- *Cost*	-	*(10 517 515)*	*(77 557 457)*	*(9 894 137)*	*(6 401 192)*	*(122 016)*	*(104 492 316)*

The prior year amount for *Property, Plant and Equipment* has been adjusted in terms of the Revised Asset Register compiled. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 17.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2017 R	2016 R

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

7.3 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 17) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

7.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R5 687 289 (2016: R0) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Buildings	Buildings	239 525	-
Infrastructure: Electricity	Infrastructure: Electricity	7 665	-
Infrastructure: Roads	Infrastructure: Roads	1 327 725	-
Infrastructure: Water	Infrastructure: Water	35 085	-
Community Assets: Sports Facilities	Community Assets: Sports Facilities	1 979 806	-
Community Assets: Other Facilities	Community Assets: Other Facilities	356 515	-
Other Assets: Computer Equipment	Other Assets: Computer Equipment	76 691	-
Other Assets: Emergency Equipment	Other Assets: Emergency Equipment	1 176	-
Other Assets: Furniture and Fittings	Other Assets: Furniture and Fittings	33 279	-
Other Assets: Motor Vehicles	Other Assets: Motor Vehicles	178 022	-
Other Assets: Office Equipment	Other Assets: Office Equipment	27 325	-
Other Assets: Plant and Equipment	Other Assets: Plant and Equipment	80 596	-
Other Assets: Specialised Vehicles	Other Assets: Specialised Vehicles	1 343 877	-
Total Impairment of Property, Plant and Equipment		**5 687 289**	**-**

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Sport and Recreation	1 865 949	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	**1 865 949**	**-**

The change in estimates will result in an increase of R1 865 949 in the depreciation expense for the municipality over the forthcoming financial years.

7.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7.7 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Buildings	2 039 200	-
Infrastructure: Roads	24 897 945	4 125 908
Community Assets: Recreational Facilities	3 032 220	639 369
Total Carrying Amounts of Work-in-Progress	**29 969 364**	**4 765 276**

	2017 R	2016 R
7.8 Delayed Projects		
No projects that are currently in progress are experiencing significant delays or were halted.		
7.9 Expenditure Incurred to Repair and Maintain		
The following specific costs included in the amount of Repairs and Maintenance disclosed in Note 35 were incurred by municipality during the reporting period:		
Roads Infrastructure:	3 527 847	-
- Contracted Services	333 862	
- Inventory Consumed	366 376	
- Labour	2 827 609	
- Other Operational Costs	-	
Solid Waste Disposal:	-	-
- Contracted Services	-	
- Inventory Consumed	-	
- Labour	-	
- Other Operational Costs	-	
Storm Water Infrastructure:	129 049	-
- Contracted Services	-	
- Inventory Consumed	129 049	
- Labour	-	
- Other Operational Costs	-	
Community Assets:	274 079	-
- Contracted Services	215 555	
- Inventory Consumed	58 525	
- Labour	-	
- Other Operational Costs	-	
Computer Equipment:	97 128	-
- Contracted Services	96 953	
- Inventory Consumed	175	
- Labour	-	
- Other Operational Costs	-	
Furniture and Office Equipment:	-	-
- Contracted Services	-	
- Inventory Consumed	-	
- Labour	-	
- Other Operational Costs	-	
Libraries:	2 000	-
- Contracted Services	2 000	
- Inventory Consumed	-	
- Labour	-	
- Other Operational Costs	-	
Machinery and Equipment:	1 194 259	-
- Contracted Services	1 183 662	
- Inventory Consumed	10 598	
- Labour	-	
- Other Operational Costs	-	
Other Assets:	87 956	-
- Contracted Services	43 093	
- Inventory Consumed	44 863	
- Labour	-	
- Other Operational Costs	-	
Transport Assets:	498 721	-
- Contracted Services	496 882	
- Inventory Consumed	1 839	
- Labour	-	
- Other Operational Costs	-	
Total Expenditure Incurred to Repair and Maintain	**5 811 040**	**-**

8 HERITAGE ASSETS

30 June 2017

Reconciliation of Carrying Value

Description	Cultural Buildings	Municipal Jewellery	Total
	R	R	R
Carrying values at 01 July 2016	**57 880**	**3 000**	**60 880**
Cost	57 880	3 000	60 880
- *Completed Assets*	*57 880*	*3 000*	*60 880*
Correction of error (Note 42)	-	-	-
Accumulated Impairment Losses	-	-	-
Acquisitions	-	151 887	151 887
Impairment Losses	-	-	-
Carrying values at 30 June 2017	**57 880**	**154 887**	**212 767**
Cost	57 880	154 887	212 767
- *Completed Assets*	*57 880*	*154 887*	*212 767*
Accumulated Impairment Losses	-	-	-

30 June 2016

Reconciliation of Carrying Value

Description	Cultural Buildings	Municipal Jewellery	Total
		R	R
Carrying values at 01 July 2015	**57 880**	**3 000**	**60 880**
Cost	57 880	3 000	60 880
- *Completed Assets*	*57 880*	*3 000*	*60 880*
Correction of error (Note 42)	-	-	-
Accumulated Impairment Losses	-	-	-
Acquisitions	-	-	-
Impairment Losses	-	-	-
Carrying values at 30 June 2016	**57 880**	**3 000**	**60 880**
Cost	57 880	3 000	60 880
- *Completed Assets*	*57 880*	*3 000*	*60 880*
Accumulated Impairment Losses	-	-	-

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

8.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

8.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

8.3 Work-In-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

8.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays or were halted.

8.5 Expenditure incurred to Repair and Maintain

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 35 were incurred by municipality during the reporting period on Heritage Assets.

	2017 R	2016 R
9 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**1 635 457**	**22 302**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2016	**22 302**	**22 302**
Cost	83 174	83 174
Work-in-Progress	-	-
Accumulated Amortisation	(60 871)	(60 871)
Acquisitions:	1 647 420	1 647 420
Purchased	1 647 420	1 647 420
Work-in-Progress	-	-
Amortisation:	(34 266)	(34 266)
Purchased	(34 266)	(34 266)
Carrying values at 30 June 2017	**1 635 457**	**1 635 457**
Cost	1 730 594	1 730 594
Work-in-Progress	-	-
Accumulated Amortisation	(95 137)	(95 137)

	Computer Software	Total
Carrying values at 01 July 2015	**30 992**	**30 992**
Cost	83 174	83 174
Work-in-Progress	-	-
Accumulated Amortisation	(52 182)	(52 182)
Acquisitions:	-	-
Purchased	-	-
Work-in-Progress	-	-
Amortisation:	(8 689)	(8 689)
Purchased	(8 689)	(8 689)
Carrying values at 30 June 2016	**22 302**	**22 302**
Cost	83 174	83 174
Work-in-Progress	-	-
Accumulated Amortisation	(60 871)	(60 871)

The prior year amount for *Intangible Assets* has been adjusted in terms of the Revised Asset Register compiled. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

	2017 R	2016 R

9.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

9.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

9.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

9.4 Work-In-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

9.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

9.6 Expenditure incurred to Repair and Maintain

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 35 were incurred by municipality during the reporting period on Intangible Assets.

10 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	**7 820 000**	**7 820 000**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**7 820 000**	**7 820 000**
Cost	7 820 000	7 820 000
Accumulated Depreciation	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	-	-
Carrying values at 30 June	**7 820 000**	**7 820 000**
Cost	7 820 000	7 820 000
Accumulated Depreciation	-	-
Estimated Fair Value of Investment Property at 30 June	**7 820 000**	**7 280 000**

The prior year amount for *Investment Property* has been adjusted in terms of the Revised Asset Register compiled. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

	2017 R	2016 R
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	2 584 432	5 575 422
Direct Operating Expenses - incurred to generate rental revenue	2 660 295	3 819 809
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

10.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

10.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

10.5 Expenditure incurred to Repair and Maintain

No specific costs included in the amount of Repairs and Maintenance disclosed in Note 35 were incurred by municipality during the reporting period on Investment Property.

11 NON-CURRENT INVESTMENTS

Unlisted		
Unlisted Shares	266	266
	266	**266**
Total Investments		
All Investments	266	266
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	**266**	**266**
Council's valuation of Unlisted Investments		
Unlisted Shares	266	266
	266	**266**

Unlisted Investments comprise the following:
(i) Unlisted Shares are investments in shares of NCT Forestry Co-operative Limited with no specific maturity dates or interest rates.

	2017 R	2016 R
12 PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	141 411	121 872
Current Portion of Long-term Service Liability (See Note 18)	35 586	54 709
Current Portion of Non-Current Provisions (See Note 19):	-	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	**176 997**	**176 581**

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2017		
Balance at beginning of year	54 709	121 872
Transfer from non-current	35 586	141 411
Expenditure incurred	(54 709)	(121 872)
Balance at end of year	**35 586**	**141 411**

	Long-term Service R	Post-retirement R
30 June 2016		
Balance at beginning of year	157 156	115 260
Transfer from non-current	54 709	121 872
Expenditure incurred	(157 156)	(115 260)
Balance at end of year	**54 709**	**121 872**

	2017 R	2016 R
13 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	600 266	4 929 949
Retentions	2 652 291	733 716
Other Creditors	8 513 451	4 295 938
Total Payables	**11 766 007**	**9 959 604**

The average credit period on purchases is 30 (2016: 50) days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

	2017 R	2016 R
14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments received in Advance	835 734	716 759
Staff Leave Accrued	2 953 550	2 877 101
Sundry Deposits	29 327	28 075
Suspense Accounts	210 130	20 718
Total Payables	**4 028 741**	**3 642 652**

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

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
15.1 Conditional Grants from Government	**5 376 905**	**7 803 357**
National Government Grants	(0)	2 117 372
Provincial Government Grants	5 329 085	5 638 165
Local Government Grants	47 820	47 820
Total Conditional Grants and Receipts	**5 376 905**	**7 803 357**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

16 OPERATING LEASE LIABILITIES		
Balance at beginning of year	367 234	332 120
Operating Lease expenses recorded	44 259	44 259
Operating Lease payments effected	(10 061)	(9 146)
Total Operating Lease Liabilities	**401 432**	**367 234**

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

16.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 40 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

	2017 R	2016 R
16.2 Amounts payable under Operating Leases		
At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:		
Land:	1 298 270	1 342 530
Up to 1 year	44 259	44 259
2 to 5 years	177 037	177 037
More than 5 years	1 076 974	1 121 234
Total Operating Lease Arrangements	**1 298 270**	**1 342 530**
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	10 061	9 146
Total Operating Lease Expenses	**10 061**	**9 146**

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Land

The following restrictions have been imposed on the municipality in terms of the lease agreements on Land:

(i) The land shall remain the property of the lessor.
(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the land.
(iii) The land shall be returned in good order and condition to the lessor upon termination of the agreement.

17 LONG-TERM LIABILITIES

Finance Lease Liabilities	34 669	112 133
Sub-total	34 669	112 133
Less: Current Portion transferred to Current Liabilities:-	34 669	65 686
Finance Lease Liabilities	34 669	65 686
Total Long-term Liabilities (Neither past due, nor impaired)	**-**	**46 447**

17.1 Summary of Arrangements

Finance Lease Liabilities relates to Office Equipment with lease terms of 4 months (2016: 16 months). The effective interest rate on Finance Leases is 48,13% (2016: 48,13%). Capitalised Lease Liabilities are secured over the items of equipment leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2016: 3 years). The effective interest rate on Finance Leases is 48,13% (2016: 48,13%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

	2017 R	2016 R

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017 R	2016 R	2017 R	2016 R
Amounts payable under finance leases:				
Within one year	38 186	114 557	38 186	114 557
In the second to fifth years, inclusive	-	38 186	-	38 186
Over five years	-	-	-	-
	38 186	152 742	38 186	152 742
Less: Future Finance Obligations	3 517	40 609	3 517	40 609
Present Value of Minimum Lease Obligations	**34 669**	**112 133**	**34 669**	**112 133**
Less: Amounts due for settlement within 12 months (Current Portion)			34 669	65 686
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	46 447

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment

Included in these classes are the following significant leases:

(i) Ericson Switchboard and Photocopiers	R 38 186	R 152 742
- Instalments are payable quarterly in advance		
- Average period outstanding	4 months	16 months
- Average effective interest rate	48.13%	48.13%
- Average monthly instalment	R 1 909.28	R 1 909.28

18 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	9 340 788	8 863 414
Long Service Awards Liability	1 849 191	1 626 815
Total Employee Benefit Liabilities	**11 189 979**	**10 490 229**

18.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	8 863 414	7 713 311
Contributions to Provision	629 521	1 271 975
Expenditure incurred	(10 736)	-
Balance at end of Year	9 482 199	8 985 286
Transfer to Current Provisions	(141 411)	(121 872)
Total Post-retirement Health Care Benefits Liability	**9 340 788**	**8 863 414**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2017 R	2016 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	69	67
In-service Non-members (Employees)	65	70
Continuation Members (Retirees, widowers and orphans)	5	5
Total Members	**139**	**142**
The liability in respect of past service has been estimated as follows:		
In-service Members	4 319 912	4 071 451
In-service Non-members	2 841 981	2 585 610
Continuation Members	2 320 307	2 328 225
Total Liability	**9 482 199**	**8 985 286**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2017 is estimated to be R654 706, whereas the cost for the ensuing year is estimated to be R650 280 (30 June 2016: R675 096 and R654 706 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.94%	9.60%
Health Care Cost Inflation Rate	8.22%	8.62%
Net Effective Discount Rate	1.59%	0.90%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	8 985 286	7 828 571
Current service costs	654 706	675 096
Interest cost	856 947	707 115
Benefits paid	(132 608)	(115 260)
Actuarial losses / (gains)	(882 131)	(110 236)
Total Recognised Benefit Liability	**9 482 199**	**8 985 286**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	9 482 199	8 985 286
Unfunded Accrued Liability	9 482 199	8 985 286
Total Benefit Liability	**9 482 199**	**8 985 286**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	654 706	675 096
Interest cost	856 947	707 115
Actuarial losses / (gains)	(882 131)	(110 236)
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**629 521**	**1 271 975**

				2017 R	2016 R
The history of experienced adjustments is as follows:					
	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	9 482 199	8 985 286	7 828 571	6 947 509	6 972 566
Deficit	**9 482 199**	**8 985 286**	**7 828 571**	**6 947 509**	**6 972 566**
Experienced adjustments on Plan Liabilities	577 988	(7 120)	(278 086)	(454 357)	(912 495)

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	415 200	371 300
Effect on the defined benefit obligation	2 059 266	2 016 210
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(309 500)	(277 300)
Effect on the defined benefit obligation	(1 592 324)	(1 549 734)

The municipality expects to make a contribution of R1 586 158 (2016: R1 711 653) to the Defined Benefit Plans during the next financial year.

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.2 Long Service Awards Liability

Balance at beginning of year	1 626 815	1 380 363
Contributions to provision	257 962	301 161
Balance at end of Year	1 884 777	1 681 524
Transfer to Current Provisions	(35 586)	(54 709)
Total Long Service Awards Liability	**1 849 191**	**1 626 815**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr DT Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 134 (2016: 137) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R249 610, whereas the cost for the ensuing year is estimated to be R182 000 (30 June 2016: R218 467 and R249 610 respectively).

	2017 R	2016 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.30%	8.85%
Cost Inflation Rate	7.15%	7.47%
Net Effective Discount Rate	2.01%	1.28%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1 681 524	1 537 519
Current service costs	249 610	218 467
Interest cost	146 363	120 342
Benefits paid	(54 709)	(157 156)
Actuarial losses / (gains)	(138 011)	(37 648)
Total Recognised Benefit Liability	**1 884 777**	**1 681 524**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 884 777	1 681 524
Unfunded Accrued Liability	1 884 777	1 681 524
Total Benefit Liability	**1 884 777**	**1 681 524**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	249 610	218 467
Interest cost	146 363	120 342
Actuarial losses / (gains)	(138 011)	(37 648)
Adjustment for Short-term Portion from Previous Year	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**257 962**	**301 161**

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	1 884 777	1 681 524	1 537 519	1 318 993	1 138 669
Deficit	**1 884 777**	**1 681 524**	**1 537 519**	**1 318 993**	**1 138 669**
Experienced adjustments on Plan Liabilities	(15 149)	23 217	(10 228)	126 369	(49 158)

	2017 R	2016 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	14 680	38 800
Effect on the defined benefit obligation	173 409	162 720
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(13 181)	(33 700)
Effect on the defined benefit obligation	(150 658)	(143 463)

The municipality expects to make a contribution of R355 630 (2016: R395 973) to the defined benefit plans during the next financial year.

	2017 R	2016 R
19 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	5 746 769	5 524 675
Total Non-current Provisions	**5 746 769**	**5 524 675**
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	5 524 675	2 224 176
Contributions to provision	461 738	3 055 885
Increase/(Decrease) due to discounting	(239 644)	244 614
	5 746 769	5 524 675
Transfer to current provisions	-	-
Balance at end of year	**5 746 769**	**5 524 675**

19.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R6 299 790 (2016: R5 973 800) to restore the sites at the end of its useful life, estimated to be in 2020. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

20 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Housing Development Fund	276 895	275 199
Accumulated Surplus / (Deficit) due to the results of Operations	374 470 815	352 428 949
Total Accumulated Surplus	**374 747 710**	**352 704 148**

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 42.1 "Correction of Error" for details of the restatements.

Restatement of Receivables from Non-exchange Transactions
Restatement of VAT Receivable
Restatement of Property, Plant and Equipment
Restatement of Intangible Assets
Restatement of Investment Property

Sections 15(5) and 16 of the Housing Act, (Act No 107 of 1997), which came into operation on 1 April 1998, required that the municipality maintain a separate housing operating account. This legislated separate operating account is known as the **Housing Development Fund.** The fund is cash-backed.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

			2017 R	2016 R
21 PROPERTY RATES				
	Property Valuations		**Actual Levies**	
	July 2017 R000's	**July 2016 R000's**		
Agricultural Properties	1 088 565	1 086 188	2 034 732	1 679 308
Commercial	171 822	172 058	1 485 803	1 837 958
Residential	349 024	352 836	1 697 773	1 817 981
Sectional Title	-	5 732	-	36 653
State	308 087	308 087	4 502 271	4 247 472
Other	209 565	201 887	1 607 495	1 365 808
Total Property Rates	**2 127 063**	**2 126 788**	**11 328 074**	**10 985 181**
21.1 Calculation of Cash Flow:				
Property Rates Income			11 328 074	10 985 181
Opening Balance of Debtors: Assessment Rates			10 881 592	8 654 458
Closing Balance of Debtors: Assessment Rates			(13 163 200)	(10 881 592)
Amounts written-off as uncollectable			-	10 864
Total Receipts for Property Rates			**9 046 467**	**8 768 911**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2012. Extension in terms of the Amended Property Rates Act was obtained until 30 June 2017.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:
- Residential Properties: 0,0072645 c/R (2015/16: 0,0068533 c/R)
- Business Properties: 0,0146662 c/R (2015/16: 0,0138360 c/R)
- Agricultural Properties: 0,0018161 c/R (2015/16: 0,0017610 c/R)

The first R15 000 (2015/16: R15 000) of the valuation of all properties are exempted from the calculation of rates. Furthermore, a rebate of R35 000 (2015/16: R35 000) is allowed on developed residential property.

Rebates and exemptions are granted to pensioners, non-profitable organisations, sporting bodies, religious bodies, etc in terms of the municipality's Rates Policy.

Rates are levied monthly on property owners and are payable at the end of each month. Property owners can request that the full amount for the year be raised in August in which case the amount has to be paid by 28 February. Interest is levied at a rate determined by council on outstanding rates amounts.

22 FINES		
Traffic Fines	248 400	355 200
Other Fines	1 179	799
Total Fines	**249 579**	**355 999**
23 LICENCES AND PERMITS		
Business Licences	5 516	3 421
Learners Licenses	104 440	76 552
Other Licenses	19 997	3 404
Total Licences and Permits	**129 952**	**83 377**

	2017 R	2016 R
24 INCOME FROM AGENCY SERVICES		
Commission	18 986	18 235
Motor Licences	595 508	535 887
Other Agency Income	17 480	17 445
Total Income from Agency Services	**631 974**	**571 567**
25 GOVERNMENT GRANTS AND SUBSIDIES		
Donated Assets	36 443	349 254
National Equitable Share	55 625 000	54 162 000
Other Subsidies	776 807	484 182
Operational Grants	56 438 249	54 995 436
Conditional Grants	49 982 968	42 129 505
National: EPWP	1 277 000	1 046 000
National: FMG	1 825 000	1 800 000
National: MIG	36 057 397	25 579 270
National: MSIG	-	930 000
National: Department Minerals and Energy	9 000 000	10 000 000
Provincial: CoGTA	72 300	2 130 027
Provincial: Department Arts and Culture	476 218	40 275
Provincial: Department Human Settlement	1 275 053	441 753
Provincial: Department Sport and Development	-	150 000
Local Government: Umgungundlovu District Municipality	-	12 180
Total Government Grants and Subsidies	**106 421 217**	**97 124 941**
25.1 Calculation of Cash Flow:		
Government Grants and Subsidies Income	106 421 217	97 124 941
Opening Balance of Unspent Government Grants	(7 803 357)	(7 416 519)
Closing Balance of Unspent Government Grants	5 376 905	7 803 357
Total Receipts for Government Grants and Subsidies	**103 994 765**	**97 511 779**
Operational Grants:		
25.2 Donated Assets		
Department Arts and Culture - Electronic Gaming Equipment for Library	36 443	33 689
Khabokedi Waste Management - Computer Equipment, Office, Toilet and Weighbridge at Landfill Site	-	246 825
SIGMA IT - New Server Room	-	68 740
Total Donated Assets from Government	**36 443**	**349 254**

Assets, as described above, were donated to the municipality and recognised as Grants and Subsidies Received during the year.

25.3 National: Equitable Share	**55 625 000**	**54 162 000**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R82,82 (2016: R63,43), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. Indigent residential households receive basic refuse removal and 50 kWh electricity free every month. No funds have been withheld.

	2017 R	2016 R
Conditional Grants:		
25.4 National: EPWP Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 277 000	1 046 000
Conditions met - transferred to Revenue: Operating Expenses	(1 277 000)	(1 046 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects whereby temporary work opportunities are expanded. No funds have been withheld.

25.5 National: FMG Grant		
Balance unspent at beginning of year	0	0
Current year receipts	1 825 000	1 800 000
Conditions met - transferred to Revenue: Operating Expenses	(1 825 000)	(1 800 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**0**	**0**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

25.6 National: MIG Funds		
Balance unspent at beginning of year	2 117 372	2 679 641
Current year receipts	26 000 000	25 017 000
Conditions met - transferred to Revenue: Operating Expenses	(319 835)	(633 988)
Conditions met - transferred to Revenue: Capital Expenses	(35 737 562)	(24 945 282)
Other Adjustments/Refunds	7 940 025	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	**2 117 372**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

25.7 National: MSIG Funds		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	-	930 000
Conditions met - transferred to Revenue: Operating Expenses	-	(782 568)
Conditions met - transferred to Revenue: Capital Expenses	-	(147 432)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**(0)**	**(0)**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

25.8 National: Department Minerals and Energy		
Balance unspent at beginning of year	-	0
Current year receipts	9 000 000	10 000 000
Conditions met - transferred to Revenue: Operating Expenses	(9 000 000)	(10 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

Expenses were incurred for the electricification of households in the community. No funds have been withheld.

	2017 R	2016 R
25.9 Provincial: Department Cooperative Government and Trading Affairs (CoGTA)		
Balance unspent at beginning of year	3 552 604	2 682 631
Current year receipts	-	3 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(72 300)	(2 130 027)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**3 480 304**	**3 552 604**

This grant was allocated for the funding of various projects e.g. Retail Market Facility, CBD Stormwater and Street Rehabilitation, Traffic Lights and Drivers' Testing Centre. No funds have been withheld.

25.10 Provincial: Department Arts and Culture		
Balance unspent at beginning of year	297 218	167 493
Current year receipts	179 000	170 000
Conditions met - transferred to Revenue: Operating Expenses	(201 641)	(40 275)
Conditions met - transferred to Revenue: Capital Expenses	(274 576)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**(0)**	**297 218**

This grant was allocated to provide access to modern day technology and information resources; and relevant collections of library materials which meet the needs of the communities. No funds have been withheld.

25.11 Provincial: Department Human Settlement		
Balance unspent at beginning of year	1 788 343	1 736 753
Current year receipts	1 275 053	441 753
Interest allocated	60 438	51 590
Conditions met - transferred to Revenue: Operating Expenses	(1 275 053)	(441 753)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**1 848 781**	**1 788 343**

This grant was allocated for the funding of various housing projects to assist the indigent communities. No funds have been withheld.

25.12 Provincial: Department Sport and Development		
Balance unspent at beginning of year	-	150 000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(117 081)
Conditions met - transferred to Revenue: Capital Expenses	-	(32 919)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

This grant was received for the maintenance of sport fields within the jurisdiction area of the municipality. No funds have been withheld.

25.13 Local Government: Umgungundlovu District Municipality		
Balance unspent at beginning of year	47 820	(0)
Current year receipts	-	60 000
Conditions met - transferred to Revenue: Operating Expenses	-	(12 180)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**47 820**	**47 820**

This grant was allocated to the municipality as a contribution towards the clearing of vacant land and plots. No funds have been withheld.

25.14 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.

	2017 R	2016 R
26 SERVICE CHARGES		
Refuse Removal	487 504	451 165
Total Service Charges	**487 504**	**451 165**
26.1 Calculation of Cash Flow:		
Service Charges Income	487 504	451 165
Opening Balance of Debtors: Service Charges	973 187	731 224
Closing Balance of Debtors: Service Charges	(1 142 465)	(973 187)
Total Receipts for Service Charges	**318 226**	**209 202**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Amenities	6 000	6 000
Rental Revenue from Buildings	584 625	535 127
Rental Revenue from Halls	49 746	46 648
Rental Revenue from Land	2 584 432	5 575 422
Rental Revenue from Other Facilities	72 357	60 660
Total Rental of Facilities and Equipment	**3 297 160**	**6 223 857**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

28 INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	1 452 231	1 282 718
	1 452 231	**1 282 718**
External Investments:		
Bank Account	58 407	80 860
Investments	3 842 475	3 865 093
	3 900 881	**3 945 953**
Outstanding Debtors:		
Outstanding Billing Debtors	94 603	91 372
	94 603	**91 372**
Total Interest Earned	**5 447 715**	**5 320 044**
28.1 Calculation of Cash Flow:		
External Interest Income	3 900 881	3 945 953
Total Receipts for Interest Received	**3 900 881**	**3 945 953**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	3 900 881	3 945 953
Loans and Receivables	1 546 834	1 374 091
	5 447 715	**5 320 044**

		2017 R	2016 R
29 OPERATIONAL REVENUE			
Building Plan Fees		40 079	138 336
Cemetery Fees		76 062	71 197
Insurance Claims		158 878	1 461 677
Pound Fees		3 098	1 071
Prints		10 605	6 521
Refuse Dump Fees		21 694	17 633
Reimbursement of Expenditure		130 513	88 174
SETA Refunds		57 774	61 980
Tender Documents		67 595	151 042
Town Planning Fees		1 988	9 873
Sundry Income		33 947	36 643
Total Operational Revenue		**602 231**	**2 044 146**
29.1 Calculation of Cash Flow:			
Income from Other Revenue	Note 29	602 231	2 044 146
Income from Interest on Outstanding Debtors	Note 28	94 603	91 372
Income from Interest and Penalties on Property Rates	Note 28	1 452 231	1 282 718
Income from Rental of Facilities and Equipment	Note 27	3 297 160	6 223 857
Income from Agency Services	Note 24	631 974	571 567
Income from Licences and Permits	Note 23	129 952	83 377
Income from Fines	Note 22	249 579	355 999
Opening Balance of Debtors: Non-exchange Transactions	Note 4	28 950 736	11 385 502
Opening Balance of Debtors: Assessment Rates	Note 4	(10 881 592)	(8 654 458)
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(52 441 333)	(28 950 736)
Closing Balance of Debtors: Assessment Rates	Note 4	13 163 200	10 881 592
Amounts written-off as uncollectable	Note 4	(324 997)	(142 068)
Opening Balance of VAT Receivable	Note 5	3 934 672	947 433
Closing Balance of VAT Receivable	Note 5	(2 578 229)	(3 934 672)
Total Receipts for Other Revenue		**(13 719 814)**	**(7 814 370)**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

30 EMPLOYEE RELATED COSTS			
Employee Related Costs - Salaries and Wages		28 584 196	25 752 497
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids		4 912 273	4 426 592
Travel, Motor Car, Accommodation, Subsistence and Other Allowances		1 922 932	1 817 699
Housing Benefits and Allowances		54 702	53 302
Overtime Payments		297 087	189 452
Defined Benefit Plan Expense:		887 483	1 323 136
Current Service Cost		887 483	1 323 136
Total Employee Related Costs		**36 658 674**	**33 562 677**
30.1 Calculation of Cash Flow:			
Employee Related Costs Expenditure		36 658 674	33 562 677
Opening Balance of Employee Benefit Liabilities		10 490 229	9 093 674
Closing Balance of Employee Benefit Liabilities		(11 189 979)	(10 490 229)
Opening Balance of Provision for Long-term Service		54 709	157 156
Closing Balance of Provision for Long-term Service		(35 586)	(54 709)
Opening Balance of Post-retirement Benefits		121 872	115 260
Closing Balance of Post-retirement Benefits		(141 411)	(121 872)
Total Payments for Employee Related Costs		**35 958 508**	**32 261 957**

No advances were made to employees.

	2017 R	2016 R
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	960 164	981 352
Car and Other Allowances	110 323	145 200
Company Contributions to UIF, Medical and Pension Funds	36 225	39 578
Total	**1 106 711**	**1 166 130**

The post was vacant from 7 March 2017 to 30 June 2017. A basic Allowance was paid for the period to a seconded official.

Remuneration of the Chief Financial Officer		
Annual Remuneration	949 834	831 271
Car and Other Allowances	132 000	127 800
Company Contributions to UIF, Medical and Pension Funds	1 877	10 664
Total	**1 083 710**	**969 735**
Remuneration of the Strategic Manager: Community Services		
Annual Remuneration	781 044	701 512
Car and Other Allowances	192 000	177 000
Company Contributions to UIF, Medical and Pension Funds	99 120	97 923
Total	**1 072 164**	**976 436**
Remuneration of the Strategic Manager: Corporate Services		
Annual Remuneration	762 659	717 309
Car and Other Allowances	192 000	169 800
Company Contributions to UIF, Medical and Pension Funds	88 342	82 127
Total	**1 043 002**	**969 236**
Remuneration of the Strategic Manager: Technical Services		
Annual Remuneration	813 439	703 564
Car and Other Allowances	286 000	275 800
Company Contributions to UIF, Medical and Pension Funds	1 877	1 872
Total	**1 101 316**	**981 236**

The manager was suspended for the period October 2015 until April 2017 with full remuneration. The manager has been reinstated in his position as from May 2017.

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Staff Leave Benefits:-		
Municipal Manager	-	145 450
Chief Financial Officer	95 251	80 040
Strategic Manager: Community Services	142 116	158 136
Strategic Manager: Corporate Services	162 158	146 104
Strategic Manager: Technical Services	109 320	79 068
Total	**508 846**	**608 798**

	2017 R	2016 R
31 REMUNERATION OF COUNCILLORS		
Mayor	741 225	758 012
Deputy Mayor	247 298	335 106
Speaker	294 436	-
Executive Committee Members	284 222	287 987
Councillors	2 398 394	2 483 807
Other Allowances (Cellular Phones, Housing, Transport, etc)	347 748	337 356
Total Councillors' Remuneration	**4 313 323**	**4 202 268**

Remuneration of Councillors:

In-kind Benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. The Councillors occupying the positions of Mayor, Deputy Mayor and Speaker are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards and a full-time driver. The Speaker has two full-time bodyguards. The Deputy Mayor has one full-time bodyguard/driver.

32 COLLECTION COSTS		
Legal Costs	116 096	162 680
Total Collection Costs	**116 096**	**162 680**
33 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	17 348 654	16 566 955
Amortisation: Intangible Assets	34 266	8 689
Total Depreciation and Amortisation	**17 382 919**	**16 575 644**

The prior year amount for *Depreciation and Amortisation* has been adjusted in terms of the Revised Asset Register compiled. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

	2017 R	2016 R
34 IMPAIRMENT LOSSES		
34.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	5 687 289	-
Property, Plant and Equipment	5 687 289	-
Intangible Assets	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	5 687 289	**-**
34.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	1 423 662	960 872
Receivables from Exchange Transactions	115 988	76 736
Receivables from Non-exchange Transactions	1 307 673	884 137
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	1 423 662	**960 872**
Total Impairment Losses	**7 110 951**	**960 872**
35 REPAIRS AND MAINTENANCE		
Land and Buildings	364 035	202 463
Infrastructure - Road Transport	814 196	783 891
Other Assets	1 752 887	892 584
Specialised Vehicles	63 000	50 549
Total Repairs and Maintenance	**2 994 118**	**1 929 488**
36 FINANCE COSTS		
Landfill Provision	288 404	389 504
Loans and Payables at amortised cost	37 092	64 069
Total Interest Paid on External Borrowings	**325 496**	**453 573**
36.1 Calculation of Cash Flow:		
Finance Cost Expenditure	325 496	453 573
Total Payments for Finance Costs	**325 496**	**453 573**

		2017 R	2016 R
37 CONTRACTED SERVICES			
Internal Audit		814 869	826 141
Professional Fees		430 421	3 201
Security Services		5 720 277	4 250 131
Valuation Services		192 329	237 105
Other Contracted Services		1 947 415	3 002 285
Total Contracted Services		**9 105 310**	**8 318 864**
37.1 Calculation of Cash Flow:			
Expenditure for Contracted Services	Note 37	9 105 310	8 318 864
Expenditure for Repairs and Maintenance	Note 35	2 994 118	1 929 488
Opening Balance of Payables: Exchange Transactions	Note 13	9 959 604	8 144 122
Closing Balance of Payables: Exchange Transactions	Note 13	(11 766 007)	(9 959 604)
Opening Balance of Inventories	Note 2	(1 223)	(85 863)
Closing Balance of Inventories	Note 2	37 267	1 223
Total for Suppliers Paid		**10 329 068**	**8 348 229**
38 GRANTS AND SUBSIDIES PAID			
Community Projects		1 701 573	819 026
Free Basic Services		1 213 355	1 140 028
Sport Events		-	39 662
Total Grants and Subsidies		**2 914 928**	**1 998 716**

Community Projects are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

	2017 R	2016 R
39 OPERATIONAL COSTS		
Included in Operational Costs are the following:		
Advertising	222 701	216 856
Bank Charges	84 782	105 547
Branding of the Municipality	-	117 081
Bursaries	57 286	63 121
Chemicals and Poison	80 730	58 987
Cleaning Material	156 154	136 856
Communication and Public Participation	226 539	-
Disaster Expenditure	119 818	93 939
Electricity	1 271 726	1 112 361
Entertainment	42 527	130 433
Expenditure incurred from Grants:		
- DME	9 000 000	10 000 000
- EPWP	1 277 000	1 046 000
- FMG	1 825 000	1 800 000
- Library	201 641	40 275
- MSIG	-	782 568
- Transport	87 973	89 993
External Audit Fees	903 471	1 104 819
Fuel and Oil	1 767 023	1 423 061
Hire Charges	297 700	-
IDP Review	144 582	16 569
Insurance	900 565	645 418
Lease Charges	479 338	485 589
Legal Costs	330 024	359 402
Levies: SALGA	500 000	500 000
Licence Fees	15 224	1 489
Marketing	114 332	49 248
Mayoral Special Programmes	11 992	18 156
Medical Examinations	6 316	34 767
Performance Evaluation Committee	72 050	104 312
PMU Unit Operating Expenses	316 995	632 063
Postage and Telegrams	94 439	75 313
Printing, Publications and Books	220 467	293 766
Seminars and Conferences	70 589	86 352
Telephone Cost	829 813	573 574
Tourism Strategy	38 602	5 521
Training Costs	154 948	159 896
Travelling and Subsistence	935 049	848 399
Uniforms and Protective Clothing	356 427	383 553
Valuation Roll	618 233	-
Vehicle Licences	107 755	83 218
Ward Committee Management	371 915	459 900
Water	62 134	96 334
Other General Expenses	1 256 169	1 404 389
Total Operational Costs	**25 630 029**	**25 639 127**

		2017 R	2016 R
39.1 Calculation of Cash Flow:			
Expenditure for Operational Costs	Note 39	25 630 029	25 639 127
Expenditure for Grants and Subsidies Paid	Note 38	2 914 928	1 998 716
Expenditure for Collection Costs	Note 32	116 096	162 680
Opening Balance of Payables: Non-exchange Transactions	Note 14	3 642 652	2 775 254
Closing Balance of Payables: Non-exchange Transactions	Note 14	(4 028 741)	(3 642 652)
Opening Balance of Operating Lease Liabilities	Note 16	367 234	332 120
Opening Balance of Operating Lease Liabilities	Note 16	(401 432)	(367 234)
Opening Balance of Non-current Provisions	Note 19	5 524 675	2 224 176
Closing Balance of Non-current Provisions	Note 19	(5 746 769)	(5 524 675)
Total for Other Payments		**28 018 672**	**23 597 513**

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

40 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Proceeds on Sale of Assets	-	-
Assets Disposed at Carrying Value	-	(338)
Total Gains / Losses on Disposal of Capital Assets	**-**	**(338)**

41 CHANGE IN ACCOUNTING POLICY

The municipality adopted the amended portions following Accounting Standards for the first time during the financial year 2016/17 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 17 Property, Plant and Equipment

41.1 GRAP 17 - Property, Plant and Equipment

The amendments in Accounting Standard for *Property, Plant and Equipment* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2017 in terms of GRAP 17.

The municipality has amended Accounting Policies to fully comply with GRAP 17 (*Property, Plant and Equipment*). The amendments in GRAP 17 is applied prospectively and there is no need for restatement of prior year figures.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2016 and the Accumulated Surplus of prior years was not affected either.

	2017 R	2016 R

42 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

42.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2015		**172 682 097**
Correction of Error as per Note 42.4:-		
Adjustment of Rates Income for incorrect levy	(102)	
Adjustment of Input VAT not allowed	(2 026)	
Adjustment of Capital Assets as per Revised Asset Register	150 668 151	150 666 023
Restated Balances as at 30 June 2015		**323 348 120**
Transactions incurred for the Year 2015/16		36 323 976
Correction of Error as per Note 42.4:-		
Adjustment of Capital Assets as per Revised Asset Register	(6 967 948)	(6 967 948)
Restated Balances as at 30 June 2016		**352 704 148**

42.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2015/16 Revenue	Current Year 2015/16 Revenue	Restated Amount
Property Rates	10 985 181	10 985 181	-
Property Rates - Penalties imposed and collection charges	1 282 718	1 282 718	-
Fines	355 999	355 999	-
Licences and Permits	83 377	83 377	-
Income for Agency Services	571 567	571 567	-
Government Grants and Subsidies Received	97 124 941	97 124 941	-
Service Charges	451 165	451 165	-
Rental of Facilities and Equipment	6 223 857	6 223 857	-
Interest Earned - External Investments	3 945 953	3 945 953	-
Interest Earned - Outstanding Debtors	91 372	91 372	-
Operational Revenue	2 044 146	2 044 146	-
	123 160 276	**123 160 276**	**-**

	2017 R	2016 R

42.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2015/16 Expenditure	Current Year 2015/16 Expenditure	Restated Amount
Employee Related Costs	33 562 677	33 562 677	-
Remuneration of Councillors	4 202 268	4 202 268	-
Collection Costs	162 680	162 680	-
Depreciation and Amortisation	9 607 696	16 575 644	(6 967 948)
Impairment Losses	960 872	960 872	-
Repairs and Maintenance	1 929 488	1 929 488	-
Finance Costs	453 573	453 573	-
Contracted Services	8 318 864	8 318 864	-
Grants and Subsidies Paid	1 998 716	1 998 716	-
General Expenses	25 639 127	25 639 127	-
Loss on Disposal of Property, Plant and Equipment	338	338	-
Surplus / (Deficit) for the Year	36 323 976	29 356 028	6 967 948
	123 160 276	**123 160 276**	**-**

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Depreciation & Amortisation
Balance previously reported	**9 607 696**
Adjustment of Depreciation as per Revised Asset Register	6 967 948
Restated Balance now reported	**16 575 644**

Depreciation and Amortisation:
The **prior year amounts** for *Depreciation & Amortisation,* Property, Plant & Equipment and Intangible Assets have been restated to correctly disclose the depreciation for assets in terms of the revised Asset Register compiled.

	2017 R	2016 R

42.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2015/16 Balance	Current Year 2015/16 Balance	Restated Amount
Current Assets			
Inventories	1 223	1 223	-
Receivables from Exchange Transactions	530 002	530 002	-
Receivables from Non-exchange Transactions	22 643 103	22 643 001	102
VAT Receivable	3 936 698	3 934 672	2 026
Cash and Cash Equivalents	47 736 089	47 736 089	-
Non-Current Assets			
Property, Plant and Equipment	168 055 396	308 032 177	(139 976 780)
Heritage Assets	60 880	60 880	-
Intangible Assets	4 027	22 302	(18 275)
Investment Property	4 114 852	7 820 000	(3 705 148)
Non-current Investments	266	266	-
Current Liabilities			
Provisions	(176 581)	(176 581)	-
Payables from Exchange Transactions	(9 959 604)	(9 959 604)	-
Payables from Non-exchange Transactions	(3 642 652)	(3 642 652)	-
Unspent Conditional Grants and Receipts	(7 803 357)	(7 803 357)	-
Operating Lease Liabilities	(367 234)	(367 234)	-
Current Portion of Long-term Liabilities	(65 686)	(65 686)	-
Non-Current Liabilities			
Long-term Liabilities	(46 447)	(46 447)	-
Retirement Benefit Liabilities	(10 490 229)	(10 490 229)	-
Non-current Provisions	(5 524 675)	(5 524 675)	-
Net Assets			
Accumulated Surplus / (Deficit)	(209 006 073)	(352 704 148)	143 698 075
	-	-	(0)

Opening balances and prior year amounts of items in the **Statement of Financial Position** have been restated as indicated below:

	Receivables: Non-exchange	VAT Receivable
Balances previously published per AFS as at 30 June 2015	**5 830 803**	**949 460**
Adjustment of Rates Income for incorrect levy	(102)	
Adjustment of Input VAT not allowed		(2 026)
Balances now published per AFS as at 30 June 2015	**5 830 701**	**947 433**
Transactions incurred for the Year 2015/16	16 812 300	2 987 239
Balances now published per AFS as at 30 June 2016	**22 643 001**	**3 934 672**

	Property, Plant & Equipment	2017 R Intangible Assets	2016 R Investment Property
Balances previously published per AFS as at 30 June 2015	**144 625 180**	**7 748**	**4 114 852**
Adjustment of Capital Assets as per Revised Asset Register	146 939 760	23 244	3 705 148
Balances now published per AFS as at 30 June 2015	**291 564 939**	**30 992**	**7 820 000**
Transactions incurred for the Year	23 430 217	(3 720)	-
Adjustment of Capital Assets as per Revised Asset Register	(6 962 979)	(4 969)	
Balances now published per AFS as at 30 June 2016	**308 032 177**	**22 302**	**7 820 000**

Receivables from Non-exchange Transactions:
The **prior year amounts** for *Receivables from Non-exchange Transactions* and Accumulated Surplus have been restated to correctly disclose the revenue for Property Rates, previously raised in error.

VAT Receivable:
The **opening balances** of *VAT Receivable* and Accumulated Surplus have been restated to correctly disclose the amount for Input VAT claimed in error.

Property, Plant and Equipment:
The **opening balances** of *Property, Plant & Equipment*, Intangible Assets, Investment Property and Accumulated Surplus have been restated to correctly disclose the carrying value of Capital Assets as per Revised Asset Register compiled.

The **prior year amounts** of *Property, Plant & Equipment*, Intangible Assets and Depreciation & Amortisation have been restated to correctly disclose the carrying value of Capital Assets as per Revised Asset Register compiled.

Intangible Assets:
The **opening balances** of *Intangible Assets*, Property, Plant & Equipment, Investment Property and Accumulated Surplus have been restated to correctly disclose the carrying value of Capital Assets as per Revised Asset Register compiled.

The **prior year amounts** of *Intangible Assets*, Property, Plant & Equipment and Depreciation & Amortisation have been restated to correctly disclose the carrying value of Capital Assets as per Revised Asset Register compiled.

Investment Property:
The **opening balances** of *Investment Property*, Property, Plant & Equipment, Intangible Assets and Accumulated Surplus have been restated to correctly disclose the carrying value of Capital Assets as per Revised Asset Register compiled.

43 CHANGE IN ACCOUNTING ESTIMATES

43.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2017. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	1 865 949	-
Increase / (Decrease) in Depreciation of PPE	**1 865 949**	**-**
Depreciation as previously stated	15 516 971	16 575 644
Adjustment due to Change in Accounting Estimate	1 865 949	-
Depreciation as per Note 33	**17 382 919**	**16 575 644**

	2017 R	2016 R
44 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	22 043 561	29 356 028
Adjustment for:		
Depreciation and Amortisation	17 382 919	16 575 644
Impairment Losses on Property, Plant and Equipment	5 687 289	-
Losses / (Gains) on Disposal of Capital Assets	-	338
Contribution to Post-retirement Health Care Benefits	629 521	1 271 975
Expenditure incurred from Post-retirement Health Care Benefits	(132 608)	(115 260)
Contribution to Long Service Awards Liability	257 962	301 161
Expenditure incurred from Long Service Awards Liability	(54 709)	(157 156)
Contribution to Provisions - Non-current	461 738	3 055 885
Increase due to discounting of Provisions - Non-current	(239 644)	244 614
Contribution to Impairment Provision	1 423 662	960 872
Bad Debts Written-off	(324 997)	(131 204)
Operating surplus before working capital changes	**47 134 695**	**51 362 897**
Decrease/(Increase) in Inventories	(36 044)	84 640
Decrease/(Increase) in Receivables from Exchange Transactions	(169 278)	(241 963)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(23 490 598)	(17 565 233)
Decrease/(Increase) in VAT Receivable	1 356 443	(2 987 239)
Increase/(Decrease) in Payables from Exchange Transactions	1 806 404	1 815 482
Increase/(Decrease) in Payables from Non-exchange Transactions	386 089	867 398
Increase/(Decrease) in Conditional Grants and Receipts	(2 426 452)	386 838
Increase/(Decrease) in Operating Lease Liabilities	34 199	35 113
Cash generated by / (utilised in) Operations	**24 595 458**	**33 757 935**

45 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2016/17 financial year.

46 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

47 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	34 669	112 133
Used to finance Property, Plant and Equipment - at cost	(34 669)	(112 133)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6 and 11)	-	-
Cash Invested for Repayment of Long-term Liabilities	**-**	**-**

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

	2017 R	2016 R

48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

48.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	11 316 226	912 284
Unauthorised Expenditure current year	19 708 709	11 316 226
Approved by Council or condoned	(3 804 277)	(912 284)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	27 220 658	11 316 226

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	*To be condoned by Council*
- Corporate Services - R416 140 (2016: R469 710)	
- Community and Social Services - R2 421 829 (2016: R0)	
- Public Safety - R0 (2016: R250 949)	
- Sport and Recreation - R0 (2016: R371 335)	
- Housing - R1 275 053 (2016: R0)	
- Planning and Development - R1 774 893 (2016: R0)	
- Roads and Transport - R4 635 135 (2016: R4 416 388)	
- Waste Management - R0 (2016: R363 054)	
Capital budget exceeded:-	*To be condoned by Council*
- Community and Social Services - R5 092 689 (2016: R2 579 591)	
- Planning and Development - R941 782 (2016: R0)	
- Roads and Transport - R3 151 189 (2016: R0)	
- Waste Management - R0 (2016: R2 865 199)	

48.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	64 230
Fruitless and Wasteful Expenditure current year	3 166	87 696
Condoned or written off by Council	-	(64 230)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	(3 166)	(87 696)
Fruitless and Wasteful Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings
Traffic Fines incurred by municipal vehicles - R0 (2016: R12 150)	*To be recovered from responsible officials*
Vehicle Licence Moneys and Face Value Documents stolen during burglary - R0 (2016: R75 546)	*To be recovered from responsible officials*
Interest on late payment - Various Creditors - R3 166 (2016: R0)	*None*

48.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	-	245 892
Irregular Expenditure current year	286 334	-
Condoned or written off by Council	-	(245 892)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	286 334	-

Incident	Disciplinary Steps / Criminal Proceedings
Irregular award made to House of Graduates - R149 387 (2016: R0)	*Under Investigation. To be submitted to Council for condonement.*
Irregular award made to Tag Tron Library - R136 947 (: R0)	*Under Investigation. To be submitted to Council for condonement.*

	2017 R	2016 R

49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

49.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	500 000	500 000
Amount Paid - current year	(500 000)	(500 000)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

49.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	903 471	1 104 819
Amount Paid - current year	(903 471)	(1 104 819)
Amount Paid - previous years		-
Balance Unpaid (included in Creditors)	-	-

49.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

49.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 864 946	5 463 144
Amount Paid - current year	(5 864 946)	(5 463 144)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

49.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	7 353 519	6 736 250
Amount Paid - current year	(7 353 519)	(6 736 250)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

49.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

49.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

49.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Council	*Year 2016/17*	*Digital Voice Processing*	*Urgency and short notice*	*4 992.86*
Procurement of services for the maintenance of microphones in the Council Chamber				
Council	*Year 2016/17*	*Eyasembo Leh Trading (3 Occasions)*	*Urgency and short notice*	*4 000.00* *3 700.00* *8 000.00*
3 Occasions, procuring services for décor and drapping of stage; Drapping of stage and hiring of round table; Drapping of Agricultural Hall				
Council	*Year 2016/17*	*House of Graduates (2 Occasions)*	*Urgency and short notice*	*2 500.00* *149 387.00*
2 Occasions, procuring gown for Speaker; 9 Carat gold Mayoral Chain				

			2017 R	2016 R
Department	**Date**	**Successful Tenderer**	**Reason**	**Amount**
Council	Year 2016/17	KS Sound & Event	Urgency and short notice	30 000.00
Procurement of Sound System				
Council	Year 2016/17	Key Truck PMB (2 Occasions)	Under warrantee; Urgency and short notice	5 540.88 2 827.14
2 Occasions, procuring services for Repairs to Captive Vehicle; Attend to fauly aircondirioner on vehicle NK 5596				
Council	Year 2016/17	Mabaso Mabasa	Urgency and short notice	14 000.00
Procurement of services for the catering for 100 people				
Council	Year 2016/17	Mavukani Marque	Urgency and short notice	120 000.00
Procurement of services for décor and drapping				
Council	Year 2016/17	MJ Hydraulics	Required strip & quote basis	92 283.00
Procurement of services for repairs to Komatsu Grader				
Council	Year 2016/17	Ram's Flower Market	Urgency and short notice	3 250.00
Procurement of Flowers				
Council	Year 2016/17	Savute Trading	Urgency and short notice	8 500.00
Procurement of services for catering				
Council	Year 2016/17	The Natal Witness	Urgency and short notice	9 800.00
Procurement of newspapers for matric learners				
Council	Year 2016/17	Thintane Trading (2 Occasions)	Urgency and short notice	3 000.00 8 000.00
2 Occasions, procuring services for hiring of round table with the table cloth; Lunch for municipal councillors' inaugural ceremony				
Budget and Treasury	Year 2016/17	Durcharme Consulting	Urgency and short notice	1 247 030.00
Procurement of services for the compilation of Asset Register and Annual Financial Statements for the year 2016/17				
Budget and Treasury	Year 2016/17	Munsoft	Urgency and short notice	11 606.34
Procurement ofnNew cashier's printer				
Budget and Treasury	Year 2016/17	SAGE VIP (3 Occasions)	Urgency and short notice; Sole supplier of VIP Payroll System	5 355.15 8 614.30 2 636.27
3 Occasions, procuring services for MSCoA training; MSCoA consultation and VIP MSCoA Version				
Budget and Treasury	Year 2016/17	Savute Trading	Urgency and short notice	2 500.00
Procurement of services for refreshments for special council meeting				
Community Services	Year 2016/17	FAW Pinetown	Stil under warranty	7 314.17
Procurement of services for repairs to front brakes, hand brakes & slim key brakes				
Community Services	Year 2016/17	Key Truck PMB (2 Occasions)	Still under warranty; Required strip & quote basis	4 513.27 6 305.40
2 Occasions, procuring services for service of NK 4957; Replacement of ignition and key for NK 4457				
Community Services	Year 2016/17	Laduma Sports	Urgency and short notice	14 820.00
Procurement of services for supply of tracksuits, hat, golf shirts for officials: Salga Games				

			2017 R	2016 R
Department	**Date**	**Successful Tenderer**	**Reason**	**Amount**
Community Services	Year 2016/17	Madonda's Auto	Required strip & quote basis	13 723.32
Procurement of servicea to repair Citi Golf, NK 4528				
Community Services	Year 2016/17	Richmond Taxi Association (3 Occasions)	Urgency and short notice	36 000.00 31 600.00 14 000.00
3 Occasions, procuring services for Transportation of learners; Hire of 28 Taxis; Transportation				
Community Services	Year 2016/17	Tag Tron Solutions (3 Occasions)	Sole service provider	136 947.45 110 001.47 56 118.10
3 Occasions, procuring services for Tag Tron Library; Tag Tron RFID System; FRID Gater				
Corporate Services	Year 2016/17	Richmond Superspar	Urgency and short notice	2 600.00
Procurement of services for Refreshments for Advisory Committee Meeting				
Corporate Services	Year 2016/17	Sigma IT	Urgency and short notice	49 468.56
Procurement of services for Website upgrade and configuration				
Technical Services	Year 2016/17	Anthoo Spares CC	Urgency and short notice	2 240.01
Procurement of battery for Refuse Truck				
Technical Services	Year 2016/17	Ayise Suppliers (2 Occasions)	Required strip & quote basis	202 800.00 3 500.00
2 Occasions, procuring services for repair and maintanance of Tipper Truck, NK 5223; Repair of computer box, NK 1475				
Technical Services	Year 2016/17	Azaria Chrone Grind Supplies	Required strip & quote basis	24 327.60
Procurement of services for repair of TLB, NK 6184				
Technical Services	Year 2016/17	Barloworld CAT (7 Occasions)	Required strip & quote basis; Still under warranty	53 448.30 72 433.64 28 750.61
7 Occasions, procuring services for parts and service of Excavator: Service of Tractor, NK 6939; Service of Tractor, NK 3552				
Technical Services	Year 2016/17	Bell Equipment	Required strip & quote basis	3 347.74
Procurement of services for Repair of propshaft on TLB, NK 6184				
Technical Services	Year 2016/17	Eyasembo Leh Trading	Urgency and short notice	8 000.00
Procurement of services for Drapping				
Technical Services	Year 2016/17	Icunu Trading 503	Required strip & quote basis	68 137.08
Procurement of services for Repairs to TLB Bell, NK 6174				
Technical Services	Year 2016/17	Kensey Steel Industries (2 Occasions)	Required strip & quote basis	5 206.38 5 725.00
2 Occasions, procuring services for repair of tipping machanism on tipper truck; Repair on diesel CART				
Technical Services	Year 2016/17	Key Truck and PMB (12 Occasions)	Required strip & quote basis; Under warranty; Sole supplier	51 251.63 53 029.47 30 619.75
12 Occasions, procuring services for clutch kit for Isuzu, NK 3522; Cylinder and pad kit; Repairs of clutch adjustment rod & gear selection cable; Services				
Technical Services	Year 2016/17	McCarthy Toyota (2 Occasions)	Under warrantee	3 637.80 7 739.80
2 Occasions, procuring services for service of Toyota Bakkie				
Technical Services	Year 2016/17	Madonda's Auto (3 Occasions)	Required strip & quote basis	3 610.00 19 750.94 25 720.00
3 Occasions, procuring services for the repair and replace of disk pads on truck (NK 5223); repair of NK 5223 and repair of NK 5632				

			2017 R	2016 R
Department	**Date**	**Successful Tenderer**	**Reason**	**Amount**
Technical Services	*Year 2016/17*	*Mphengula Holdings*	*Urgency and short notice*	*5 000.00*
Procurement of services for RD7 Wacker neuson cracker starter				
Technical Services	*Year 2016/17*	*Percy Towing*	*Urgency and short notice*	*3 420.00*
Procurement of services for towing of municipal vehicle from Richmond Local Municipality to Pietermaritzburg				
Technical Services	*Year 2016/17*	*PMB Drawings*	*Urgency and short notice*	*16 930.37*
Procurement of services for printing of tender documents				
Technical Services	*Year 2016/17*	*Pure Energy*	*Urgency and short notice*	*4 500 000.00*
Procurement of services for repair of 6 high master lights				
Technical Services	*Year 2016/17*	*Richmond Taxi Association*	*Urgency and short notice*	*8 200.00*
Procurement of services for 8 Taxis for transportation				
Technical Services	*Year 2016/17*	*Roseth Trading*	*Urgency and short notice*	*10 225.80*
Procurement of services for wiring of Honomag Pay Loader				
Technical Services	*Year 2016/17*	*SG Tractor Services*	*Required strip & quote basis*	*85 094.66*
Procurement of services for repair of TLB Bell, NK 3503				
Technical Services	*Year 2016/17*	*Specialised Scan Solutions*	*Required strip & quote basis*	*9 950.00*
Procurement of services for installation of Gater				
Technical Services	*Year 2016/17*	*Steel and Pipe Trading*	*Urgency and short notice*	*6 999.00*
Procurement of services for supply of 3 man hole covers (1200X1200X8mm)				
Technical Services	*Year 2016/17*	*Tower City*	*Urgency and short notice*	*12 000.00*
Procurement of services for hire of crane truck to lift & offload a roller				
Technical Services	*Year 2016/17*	*Towing City 41 CC*	*Urgency and short notice*	*2 850.00*
Procurement of services for towing of municipal truck from Cato Ridge to Pietermaritzburg				
Technical Services	*Year 2016/17*	*Turner Morris (Pty) Ltd*	*Required strip & quote basis*	*14 921.78*
Procurement of services for repair of Bomac Roller				
Technical Services	*Year 2016/17*	*Wacker Neuson*	*Required strip & quote basis*	*23 306.00*
Procurement of services for repair of small old Bomac Roller				
Technical Services	*Year 2016/17*	*Zama Traffic Signal*	*Urgency and short notice*	*2 836.66*
Procurement of services for repair of the robot in Nelson Street				
Technical Services	*Year 2016/17*	*Zamanquhe Trading*	*Required strip & quote basis*	*4 500.00*
Procurement of services for repair of Isuzu Truck, NK5223				

	2017 R	2016 R
50 COMMITMENTS FOR EXPENDITURE		
50.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**17 336 602**	**9 024 803**
Infrastructure	11 044 708	8 655 216
Community	6 291 895	369 587
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Community	-	-
Total Capital Commitments	**17 336 602**	**9 024 803**
This expenditure will be financed from:		
Government Grants	17 336 602	9 024 803
	17 336 602	**9 024 803**

50.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16 and 17.

50.3 Other Commitments

The municipality has entered into a contract with Munsoft for the provision of integrated financial management and internal control systems services for the period 01 August 2016 to 31 May 2019, which will give rise to an approximate charge of R1,8 million in the first year, thereafter escalating with the pricing as approved by National Treasury in the RT25-2016 Transversal Contract.

The municipality has entered into a contract with Umnotho Business Consulting for the provision of internal audit services for the period 10 August 2016 to 09 August 2018 at an average rate of R437 per hour, inclusive of VAT, and based on the approved annual internal audit plan.

The municipality has entered into a contract with KSA Security for the provision of security services for 3 years, which will give rise to an annual charge of approximately R5,9 million. The contract terminates on 30 June 2019.

The municipality has entered into a contract with Kuyahambeka Traffic Training & Project Management for the estbalishment and impounding of stray animals for 3 years, which will give rise to a charge of R980 000. The contract terminates on 30 June 2019.

The municipality has entered into a contract with Mills Fitchet for the provision of valuation services for 6 years, which will give rise to a total charge of R1,7 million. The contract terminates on 30 June 2022.

The municipality has entered into a contract with Vox Telekom for the provision and maintenance of a telephone system for 3 years, which will give rise to an approximate charge of R1,1 million. The contract terminates on 30 June 2019.

		2017 R	2016 R

51 FINANCIAL INSTRUMENTS

51.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Non-current Investments			
Unlisted Shares	Amortised cost	266	266
Receivables from Exchange Transactions			
Refuse	Amortised cost	195 085	169 729
Other Receivables	Amortised cost	388 207	360 273
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	6 097 495	4 898 855
Payments made in Advance	Amortised cost	3 458	3 144
Accruals	Amortised cost	414 688	666 178
Sundry Deposits	Amortised cost	27 084	27 084
Sundry Debtors	Amortised cost	38 606 086	17 046 425
Suspense Accounts	Amortised cost	2 112	1 314
Cash and Cash Equivalents			
Call Deposits	Amortised cost	31 292 496	47 266 038
Bank Balances	Amortised cost	803 691	466 851
Cash Floats and Advances	Fair value	3 200	3 200

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:			
Non-current Investments	Unlisted Shares	266	266
Receivables from Exchange Transactions	Refuse	195 085	169 729
Receivables from Exchange Transactions	Other Debtors	388 207	360 273
Receivables from Non-exchange Transactions	Assessment Rates Debtors	6 097 495	4 898 855
Receivables from Non-exchange Transactions	Payments made in Advance	3 458	3 144
Receivables from Non-exchange Transactions	Accruals	414 688	666 178
Receivables from Non-exchange Transactions	Sundry Deposits	27 084	27 084
Receivables from Non-exchange Transactions	Sundry Debtors	38 606 086	17 046 425
Receivables from Non-exchange Transactions	Suspense Accounts	2 112	1 314
Cash and Cash Equivalents	Call Deposits	31 292 496	47 266 038
Cash and Cash Equivalents	Bank Balances	803 691	466 851
		77 830 667	70 906 158
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3 200	3 200
		3 200	3 200
Total Financial Assets		**77 833 867**	**70 909 358**

		2017 R	2016 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Financial Liabilities	**Classification**		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	-	46 447
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	600 266	4 929 949
Retentions	Amortised cost	2 652 291	733 716
Other Creditors	Amortised cost	8 513 451	4 295 938
Payables from Non-exchange Transactions			
Staff Leave Accrued	Amortised cost	2 953 550	2 877 101
Sundry Deposits	Amortised cost	29 327	28 075
Suspense Accounts	Amortised cost	210 130	20 718
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	34 669	65 686
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	-	46 447
Payables from Exchange Transactions	Trade Creditors	600 266	4 929 949
Payables from Exchange Transactions	Retentions	2 652 291	733 716
Payables from Exchange Transactions	Other Creditors	8 513 451	4 295 938
Payables from Non-exchange Transactions	Staff Leave Accrued	2 953 550	2 877 101
Payables from Non-exchange Transactions	Sundry Deposits	29 327	28 075
Payables from Non-exchange Transactions	Suspense Accounts	210 130	20 718
Current Portion of Long-term Liabilities	Finance Lease Liabilities	34 669	65 686
		14 993 683	12 997 630
Total Financial Liabilities		**14 993 683**	**12 997 630**

51.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments
The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

	2017 R	2016 R

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2017

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	3 200	-	3 200
Total Financial Assets	-	3 200	-	3 200
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	3 200	-	3 200

30 June 2016	Level 1 R	Level 2 R	Level 3 R	2017 Total R	2016 R
FINANCIAL ASSETS					
Financial Instruments at Fair Value:					
Cash and Cash Equivalents	-	3 200	-	3 200	
Total Financial Assets	-	3 200	-	3 200	
FINANCIAL LIABILITIES					
Financial Instruments at Fair Value:					
Total Financial Liabilities	-	-	-	-	
Total Financial Instruments	-	3 200	-	3 200	

51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2016.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2017 R	2016 R
The gearing ratio at the year-end was as follows:		
Debt	34 669	112 133
Cash and Cash Equivalents	(32 099 387)	(47 736 089)
Net Debt	(32 064 718)	(47 623 955)
Equity	374 747 710	352 704 148
Net debt to equity ratio	**-8.56%**	**-13.50%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

51.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

	2017	2016
	R	R

51.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.8 to the Annual Financial Statements.

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

51.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

51.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

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

	2017	2016
	R	R

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

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis
The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.8 below.

Cash and Cash Equivalents:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have increased / decreased by R399 145 (30 June 2016: R473 964). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Finance Lease Liabilities:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have decreased / increased by R6 037 (30 June 2016: decreased / increased by R6 300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

51.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents
The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

	2017 R	2016 R

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

Counterparty and Location	30 June 2017 Credit Limit R	30 June 2017 Carrying Amount R	30 June 2016 Credit Limit R	30 June 2016 Carrying Amount R
Estate Late AS Suleman	-	274 927	-	262 527
Provincial Government - Richmond Primary School	-	376 241	-	-
RSA	-	379 505	-	-
RSA	-	919 667	-	703 513
RSA - Senvontein Prison	-	1 012 071	-	847 748
RSA	-	-	-	256 500
Capensis Inv 50 (Pty) Ltd	-	-	-	258 548

	2017 R	2016 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	266	266
Receivables from Exchange Transactions	1 142 465	973 187
Receivables from Non-exchange Transactions	52 441 333	28 950 736
Bank, Cash and Cash Equivalents	32 099 387	47 736 089
Maximum Credit and Interest Risk Exposure	**85 683 451**	**77 660 277**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors (Note 3.2):		
- Household	10.12%	15.91%
- Industrial / Commercial	2.41%	4.88%
- National and Provincial Government	5.96%	7.59%
- Other Classes	8.21%	11.24%
Other Debtors (Note 4):		
- Other not Classified	73.30%	60.38%
Total Credit Risk	**100.00%**	**100.00%**

Bank and Cash Balances		
First National Bank	2 096 187	2 732 889
Nedbank	30 000 000	45 000 000
Cash Equivalents	3 200	3 200
Total Bank and Cash Balances	**32 099 387**	**47 736 089**

	2017 R	2016 R
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	(171 849)	48 259
Group 2	(38 600)	11 459
	(210 448)	59 718
Total Receivables from Exchange Transactions	**(210 448)**	**59 718**
Receivables from Non-exchange Transactions		
Group 1	37 211 626	17 865 299
Group 2	-	-
Total Receivables from Non-exchange Transactions	**37 211 626**	**17 865 299**

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

51 FINANCIAL INSTRUMENTS (Continued)

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 48 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0.00%	14 959 015	14 959 015	-	-	-	-
Fixed Interest Rate Instruments		48.13%	34 669	34 669	-	-	-	-
			14 993 683	14 993 683	-	-	-	-
30 June 2016								
Non-Interest Bearing		0.00%	12 885 497	12 885 497	-	-	-	-
Fixed Interest Rate Instruments		48.13%	112 133	34 444	43 020	34 669	-	-
			12 997 630	12 919 941	43 020	34 669	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0.00%	45 737 680	45 737 414	-	-	-	266
Variable Interest Rate Instruments		9.77%	32 096 187	32 096 187	-	-	-	-
			77 833 867	77 833 601	-	-	-	266
30 June 2016								
Non-interest Bearing		0.00%	23 176 469	23 176 203	-	-	-	266
Variable Interest Rate Instruments		8.33%	47 732 889	47 732 889	-	-	-	-
			70 909 358	70 909 092	-	-	-	266

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

51.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

	2017	2016
	R	R

52 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

Councillors have an option to belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3 154 067 (2016: R2 817 925) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2016 by ARGEN Actuarial Solutions. The last statutory actuarial valuation was performed as at 31 March 2015.

The interim actuarial valuation performed as at 31 March 2016 revealed that the fund had a shortfall of R244,9 (Statutory 31 March 2015: shortfall of R148,7) million, with a funding level of 93,8% (Statutory 31 March 2015: 96,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) is expected to eradicate the shortfall in the fund by 31 March 2020. However, the basic contribution payable is 0,08% more (Statutory 31 March 2015: 0,13% more) than the required contribution rate.

The primary reasons for the increased deficit are the lower than expected investment returns over the year, and the salary increases which were significantly above inflation.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

The surcharge at the current level of 17,50% of pensionable salaries is not sufficient to eliminate the deficit within the time span permitted by the FSB. It is recommend that the surcharge being paid by the local authorities be increased from 15,85% to 20,00% of pensionable salaries.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2016 by ARGEN Actuarial Solutions. The previous statutory actuarial valuation was performed as at 31 March 2014.

The interim actuarial valuation performed as at 31 March 2016 revealed that the fund had a shortfall of R0,0 (31 March 2015: shortfall of R0,0) million, with a funding level of 100,0% (31 March 2015: 100,0%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0,81% (31 March 2015: 0,75%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2015: 9,5%) of pensionable salaries.

	2017 R	2016 R

The total rate of contribution from the employer has been increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 August 2012 for a period of 8 years. This surcharge is payable until 31 July 2020. This position will be monitored on an annual basis.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The interim valuation performed as at 30 June 2015 revealed that the net assets of the fund were R2 551,9 (30 June 2012: R1 183,5) million, with a funding level of 101,8% (30 June 2012: 99,5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

At 30 June the fund showed an excess of R27,7 (2012: deficit R6,4) million before allowing for reserves and was certified to be in a sound financial condition by the actuaries, Moruba Consultants and Actuaries.

As reported by the Actuaries, the Fund was following an appropriate investment strategy duiring the valuation period.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2016 by ARGEN Actuarial Solutions. The last statutory actuarial valuation was performed as at 31 March 2015.

The interim actuarial valuation performed as at 31 March 2016 revealed that the market value of the fund was R3 016,9 (Interim 31 March 2015: R2 636,0) million, with a funding level of 105,3% (Interim 31 March 2015: 107,4%). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in financial sound position as at 31 March 2016.

None of the above mentioned plans are State Plans.

53 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

53.1 Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

53.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2017				
Councillors	2 150	549	-	-
Municipal Manager and Section 57 Personnel	2 877	549	-	-
Total Services	**5 027**	**1 098**	**-**	**-**
For the Year ended 30 June 2016				
Councillors	3 202	1 036	-	-
Municipal Manager and Section 57 Personnel	2 715	518	-	-
Total Services	**5 917**	**1 554**	**-**	**-**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

	2017 R	2016 R

53.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. All Loans granted prior to this date have been fully repaid.

53.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30, 31 and Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

53.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2017 R	2016 R

54 CONTINGENT LIABILITIES

54.1 Guarantees:	**12 000**	**12 000**
(i) First National Bank: Council provided letters of suretyship to First National Bank to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164(2) of the Municipal Finance Act. These amounts have been secured against the staff members' pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the staff members' personal files.	12 000	12 000
54.2 Court Proceedings:	**1 420 000**	**120 000**
(i) Claim for Remuneration: Mr Gumede, a former employee of the municipality, is suing the municipality for alleged remuneration owed to him. The municipality has filed its Plea, whilst the plaintiff has filed an exception to that Plea. Normal legal proceedings will start once the plaintiff has set down the exception to be argued in Court. The outcome of the legal proceedings is still unknown and is lying dormant with no further actions.	70 000	70 000
(ii) Claim for Land: The municipality is claiming back a piece of land which was bought by Umona Phagi for the purpose of developing low and middle income housing. Umona Phagi failed to develop the property within the specific period of time agreed upon and the municipality cancelled the agreement and is claiming back the land in terms of the contract entered into. Negotiations to settle out of court have failed and the municipality is compelled to go to Court to seek the appropriate order. Subsequently, Umona Phangiwent into liquidation and the municipality is negotiating an offer to purchase the property back from SARS, which SARS did not accept and taken over the property themselves. The municipality is not pursuing the matter any further.	-	-
(iii) Breach of Contract: The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The Contingent Liability is in respect of expected legal costs incurred herein. Also refer to Note 54.1 (i).	50 000	50 000
(iv) Defamation of Character: Z.J.Funeka claims damages against the Municipality based on defamation of character. The action is based on vicarious liability. The matter is lying dormant as Plaintiff is not taking action to prosecute the matter. The outcome of the legal proceedings is still unknown.	1 300 000	-

	2017 R	2016 R
55 CONTINGENT ASSETS		
55.1 Court Proceedings:	**4 000 000**	**4 000 000**
(i) Breach of Contract: The municipality has lodged a claim against Masefane Trading in respect of the unlawful breach of contract by Masefane Trading. The matter is undefended to date and Affidavits are being prepared in support of application for default judgement. The outcome of the legal processes is unknown at this stage. The municipality needs to provide the Attorneys with the documentary proof of the estimated damages to be suffered for purposes of preparing the Damages Affidavit which will support the Application for Default Judgment.	4 000 000	4 000 000

56 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

(i) Secondment of Acting Municipal Manager by Umgungundlovu District Municipality for 3 months

57 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

58 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

59 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 42).

60 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2017 the Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

RICHMOND LOCAL MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2016	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2017
	R				R	R	R	R
CAPITAL LEASE LIABILITIES								
Konica Minolta	56 324	14.25%		01/10/2017	27 670	-	20 258	7 412
Konica Minolta	34 323	56.60%		01/10/2017	21 116	-	14 302	6 814
Konica Minolta	34 323	56.60%		01/10/2017	21 116	-	14 302	6 814
Konica Minolta	34 323	56.60%		01/10/2017	21 116	-	14 302	6 814
Konica Minolta	34 323	56.60%		01/10/2017	21 116	-	14 302	6 814
Total Capital Lease Liabilities	**544 624**				**112 133**	**-**	**77 464**	**34 669**
TOTAL EXTERNAL LOANS	**701 024**				**112 133**	**-**	**77 464**	**34 669**

CAPITALISED LEASE LIABILTIIES

Structured secured finance leases over office equipment; lease repayments over a period of 3 years at fixed interest rates.

APPENDIX B

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land: Developed	2 840 427	-	-	-	-	2 840 427	-	-	-	-	-	2 840 427	-
Land: Undeveloped	57 908 306	-	-	-	-	57 908 306	-	-	-	-	-	57 908 306	-
	60 748 733	**-**	**-**	**-**	**-**	**60 748 733**	**-**	**-**	**-**	**-**	**-**	**60 748 733**	**-**
Buildings													
Residential:													
Mobile Homes	7 014	-	2 039 200	-	-	2 046 214	5 082	902	-	-	5 985	2 040 229	-
Residences	210 281	-	-	-	-	210 281	126 277	4 794	-	-	131 071	79 210	-
Non Residential:													
Carports	4 013 699	-	-	72 300	-	4 085 999	1 613 176	182 710	-	-	1 795 886	2 290 113	-
Office Buildings	22 028 705	-	-	162	-	22 028 867	7 556 331	503 490	-	-	8 059 820	14 270 047	1 217 510
Perimeter Protection	4 177 458	-	-	-	-	4 177 458	1 054 058	420 319	-	-	1 474 377	2 703 081	315 000
Workshops and Depots	1 102 794	-	-	-	-	1 102 794	161 593	31 633	-	-	193 226	909 568	-
	31 839 951	**-**	**2 039 200**	**72 462**	**-**	**33 951 613**	**10 517 515**	**1 143 848**	**-**	**-**	**11 661 363**	**22 290 250**	**1 532 510**
Infrastructure													
Electricity:													
Cables	4 880	-	-	-	-	4 880	513	4 337	-	-	4 850	30	-
High Mast Lights	223 968	-	-	-	-	223 968	68 210	9 023	-	-	77 233	146 735	-
Supply and Reticulation	5 530	-	-	-	-	5 530	1 541	3 989	-	-	5 530	-	-
Roads and Transport:													
Bridges, Subways and Culverts	30 524 980	-	24 897 945	-	-	55 422 925	13 958 616	451 441	-	-	14 410 057	41 012 868	-
Bridges - Expansion	587 502	-	-	-	-	587 502	32 116	7 345	-	-	39 461	548 041	-
Pedestrian Footpaths	4 053 885	-	-	2 674	-	4 056 559	808 850	144 332	-	-	953 182	3 103 377	4 645 445
Road Calming Measures	14 179	-	-	-	-	14 179	6 818	1 105	-	-	7 923	6 256	-
Roads: Asphalt - Basis	97 411 437	-	-	4 345 624	-	101 757 061	25 881 552	4 260 849	-	-	30 922 401	70 834 660	16 665 925
Roads: Asphalt - Surface	9 207 520	-	-	2 308 122	-	11 515 642	1 481 938	568 672	-	-	2 050 610	9 463 032	-
Roads: Concrete - Basis	3 900 098	-	-	-	-	3 900 098	1 167 456	195 005	-	-	1 362 460	2 537 638	-
Roads: Gravel - Surface	49 252 571	-	-	-	-	49 252 571	17 292 501	4 267 899	-	-	21 560 401	27 692 171	-
Roads: Paved - Surface	246 272	-	-	-	-	246 272	29 220	9 722	-	-	38 945	207 328	-
Roads: Crash Barriers	41 713	-	-	-	-	41 713	3 321	1 390	-	-	4 711	37 001	-
Roads: Kerbs and Channels	2 467 852	-	-	227 488	-	2 695 341	352 242	64 693	-	-	416 935	2 278 405	-
Stormwater Coastal Structure	2 639 644	-	-	-	-	2 639 644	1 063 870	178 434	-	-	1 242 304	1 397 339	-
Stormwater Culverts	104 427	-	-	-	-	104 427	6 277	2 089	-	-	8 366	96 061	-
Stormwater Culverts: Concrete	868 423	-	-	-	-	868 423	481 116	97 733	-	-	578 850	289 573	-
Stormwater Drains: Concrete	20 459 690	-	-	773 587	-	21 233 276	10 606 269	954 853	-	-	11 561 122	9 672 154	-
Stormwater Pipes	1 489 289	-	-	-	-	1 489 289	79 535	167 639	-	-	247 174	1 242 115	-
Street Lighting	143 186	-	-	-	-	143 186	68 523	9 727	-	-	78 250	64 936	500 000
Traffic Islands	19 014	-	-	-	-	19 014	9 988	3 549	-	-	13 536	5 479	-
Traffic Signs	10 982 406	-	-	330 862	-	11 313 268	3 054 409	538 928	-	-	3 593 336	7 719 931	-

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Sanitation:													
Landfill Sites	4 618 781	(66 310)	-	-	-	4 552 471	1 898 648	881 547	-	-	2 780 195	1 772 277	-
Water:													
Reservoirs and Tanks	50 766	-	-	-	-	50 766	13 900	36 866	-	-	50 766	-	88 222
	239 318 112	(66 310)	24 897 945	7 988 357	-	272 138 104	77 557 457	12 861 063	-	-	90 418 520	181 719 578	24 115 500
Community Assets													
Recreational Facilities:													
Museums and Art Galleries	25 370	-	3 032 220	-	-	3 057 590	12 868	1 086	-	-	13 954	3 043 636	-
Sports Facilities:													
Sport and Recreational Facilities	13 386 004	-	-	731 876	-	14 117 880	2 309 024	2 589 278	-	-	4 898 302	9 219 578	4 950 000
Other Facilities:													
Ablutions/Public Conveniences	603 948	-	-	-	-	603 948	178 452	19 916	-	-	198 370	405 578	-
Community Centres	19 904 747	-	-	-	-	19 904 747	3 400 028	568 789	-	-	3 968 818	15 935 929	-
Driver and Vehicle Testing Centres	2 108 291	-	-	-	-	2 108 291	70 218	70 216	-	-	140 434	1 967 857	-
Fire Stations	37 387	-	-	-	-	37 387	19 804	747	-	-	20 551	16 836	-
Libraries	369 373	-	-	-	-	369 373	103 424	7 387	-	-	110 812	258 561	-
Markets and Shops	17 554 176	-	-	-	-	17 554 176	3 539 506	1 755 754	-	-	5 295 260	12 258 916	3 000 000
Public Parking	498 373	-	-	-	-	498 373	168 239	25 286	-	-	193 525	304 848	-
Taxi Ranks	462 239	-	-	-	-	462 239	92 575	369 865	-	-	462 439	-	-
	54 947 889	-	3 032 220	731 876	-	58 711 985	9 894 137	5 398 127	-	-	15 292 264	43 419 721	7 950 000
Leased Assets													
Office Equipment	242 307	-	-	-	-	242 307	122 016	89 788	-	-	211 804	30 503	-
	242 307	-	-	-	-	242 307	122 016	89 788	-	-	211 804	30 503	-
Other Assets													
Bins and Containers:													
Collection Containers / Bins	174 194	-	-	-	-	174 194	7 886	22 396	-	-	30 282	143 911	-
Computer Equipment:													
Computer Hardware	1 388 002	-	-	-	-	1 388 002	776 308	276 274	-	-	1 052 582	335 421	1 806 800
Computer Networks	10 854	-	-	-	-	10 854	7 449	3 032	-	-	10 481	373	-
Emergency Equipment:													
Emergency / Rescue Equipment	54 074	-	-	-	-	54 074	16 670	7 937	-	-	24 607	29 467	-
Medical and Allied Equipment	85 087	-	-	-	-	85 087	43 368	6 150	-	-	49 517	35 570	-
Furniture and Fittings:													
Domestic and Hostel Furniture	6 332	-	-	-	-	6 332	121	3 017	-	-	3 138	3 194	-
Kitchen Appliances	57 819	-	-	-	-	57 819	32 502	11 716	-	-	44 219	13 601	-
Other Furniture	1 522 613	84 907	-	-	-	1 607 520	690 834	187 375	-	-	878 210	729 311	101 750

APPENDIX B

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Motor Vehicles:													
Motor Cars	3 176 442	2 746 320	-	-	-	3 922 762	915 349	408 558	-	-	1 323 907	4 598 553	369 000
Trailers	497 930	-	-	-	-	497 930	146 355	71 885	-	-	218 240	279 690	-
Trucks and Bakkies	2 724 191	-	-	-	-	2 724 191	310 923	116 839	-	-	427 762	2 296 430	2 [illegible] 300
Office Equipment:													
Air Conditioners	464 755	1 504 954	-	-	-	1 969 709	253 327	162 698	-	-	416 025	1 553 685	-
Audiovisual Equipment	227 697	-	-	-	-	227 697	127 013	37 635	-	-	164 048	63 049	-
Other Office Equipment	397 023	-	-	-	-	397 023	219 522	66 899	-	-	286 421	110 600	[illegible]
Plant and Equipment:													
Communication Equipment	76 979	-	-	-	-	76 979	9 576	14 153	-	-	23 729	53 250	-
Electric Wire and Power Tools	26 378	-	-	-	-	26 378	14 655	4 881	-	-	19 536	6 842	5 000
Farm / Agricultural Equipment	459 062	-	-	-	-	459 062	62 861	14 690	-	-	77 551	381 511	-
Gardening Equipment	544 992	-	-	-	-	544 992	244 555	152 490	-	-	397 045	147 947	85 500
Metallurgy Equipment	6 980	-	-	-	-	6 980	4 081	1 533	-	-	5 594	1 386	-
Pumps and Plumbing Equipment	455	-	-	-	-	455	309	145	-	-	455	-	-
Radio Equipment	13 663	-	-	-	-	13 663	9 521	4 142	-	-	13 663	-	-
Security Equipment	9 763	-	-	-	-	9 763	4 839	1 201	-	-	6 040	3 723	25 000
Security Systems	605 922	88 734	-	-	-	694 536	304 431	87 714	-	-	392 145	302 511	255 800
Sport & Eecreational Equipment	6 718	-	-	-	-	6 718	3 797	542	-	-	4 339	2 379	-
Survey Equipment	2 126	-	-	-	-	2 126	903	1 066	-	-	1 969	157	-
Tents, Flags and Accessories	8 050	-	-	-	-	8 050	4 949	706	-	-	5 655	2 395	-
Workshop Equipment	80 803	-	-	-	-	80 803	41 791	19 137	-	-	30 928	19 875	-
Workshop Tools	23 544	-	-	-	-	23 544	9 940	4 787	-	-	14 727	8 817	-
Specialised Vehicles:													
Refuse Collection Vehicles	1 325 475	-	-	-	-	1 325 475	135 228	42 415	-	-	177 643	1 147 832	-
Road Construction Machinery	6 706 321	-	-	-	-	6 706 321	2 002 150	1 611 098	-	-	3 613 248	2 893 073	-
	20 634 224	4 424 916	-	-	-	25 059 140	6 401 192	3 543 112	-	-	9 944 304	15 144 836	6 219 054
Total	407 759 217	4 358 606	29 969 364	8 792 695	-	450 879 882	104 492 316	23 035 943	-	-	127 528 260	323 351 622	39 816 162

APPENDIX B

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties													
Land	7 820 000	-	-	-	-	7 820 000	-	-	-	-		7 820 000	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	7 820 000	-	-	-	-	7 820 000	-	-	-	-	-	7 820 000	-

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	83 174	1 647 420	-	-	-	1 730 594	60 871	34 266	-	-	95 137	1 635 457	-
	83 174	1 647 420	-	-	-	1 730 594	60 871	34 266	-	-	95 137	1 635 457	-

RICHMOND LOCAL MUNICIPALITY

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 42186
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets													
Culturally Significant Buildings	57 880	-	-	-	-	57 880	-	-	-	-		57 880	-
Municipal Jewelry	3 000	151 887	-	-	-	154 887	-	-	-	-	-	154 887	-
	60 880	151 887	-	-	-	212 767	-	-	-	-	-	212 767	-
Total Asset Register	415 723 271	6 157 913	28 969 364	8 792 606	-	460 643 213	104 553 188	23 070 209	-	-	127 623 396	333 019 817	39 816 152

APPENDIX C
RICHMOND LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	837 377	170 300	-	-	-	1 007 677	305 205	169 540	-	-	466 745	540 932
Budget and Treasury Office	1 863 107	1 152 308	-	-	-	3 015 415	878 396	326 227	-	-	1 204 623	1 810 792
Corporate Services	203 001	32 510	-	-	-	235 511	84 515	52 340	-	-	136 855	98 657
Community and Social Services	147 463 155	163 678	5 071 420	800 371	-	153 498 624	18 785 396	6 189 983	-	-	24 975 379	128 523 245
Public Safety	5 702 674	222 144	-	-	-	5 924 818	619 661	331 356	-	-	951 017	4 973 801
Planning and Development	24 297 901	4 478 282	-	-	-	28 776 183	7 119 621	3 254 558	-	-	10 374 179	18 402 004
Roads and Transport	230 337 202	-	24 897 945	7 988 519	-	263 223 666	74 597 219	11 837 290	-	-	86 434 509	176 789 157
Waste Management	5 023 054	(66 310)	-	3 805	-	4 960 550	2 163 175	894 915	-	-	3 058 090	1 902 460
Total	**415 723 271**	**6 157 913**	**29 969 364**	**8 792 695**	**-**	**460 643 241**	**104 553 188**	**23 070 209**	**-**	**-**	**127 623 396**	**333 019 847**

APPENDIX D

RICHMOND LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
4 545 000	4 545 000	10 157 218	10 676 838	(5 612 218)	Executive and Council	2 659 000	2 659 000	10 529 516	11 288 215	(7 870 516)
65 679 160	63 740 486	11 409 950	13 588 295	54 269 210	Budget and Treasury Office	69 255 383	67 685 445	12 890 439	18 670 182	56 364 944
1 690 909	1 580 000	12 122 772	11 653 062	(10 431 863)	Corporate Services	298 968	304 222	11 870 278	11 454 133	(11 571 310)
					Community and Public Safety					
2 061 263	2 183 000	10 595 287	11 160 005	(8 513 904)	Community and Social Services	2 112 061	2 415 717	14 656 222	12 234 393	(12 544 161)
449 668	170 000	3 042 246	2 701 297	(2 592 578)	Public Safety	359 468	495 000	3 243 982	3 436 131	(2 384 514)
5 583 580	3 107 000	5 760 490	5 389 095	(176 850)	Sport and Recreation	2 592 590	2 266 494	5 126 437	5 644 012	(2 533 847)
441 753	1 355 753	441 753	1 355 753	-	**Housing**	1 275 053	-	1 275 053	-	-
					Economic and Environmental Services					
38 795 587	38 916 773	19 205 048	23 999 934	19 590 489	Planning and Development	46 617 140	41 727 132	21 512 156	19 737 263	25 104 985
612 438	618 700	17 427 394	13 011 008	(16 814 956)	Roads and Transport	699 948	745 570	21 370 219	16 735 084	(20 670 271)
					Trading Services					
3 280 848	3 279 094	3 642 148	3 279 094	(361 300)	Waste Management	2 725 816	3 713 655	4 077 544	4 360 256	(1 351 728)
123 160 276	**119 498 805**	**93 804 248**	**96 904 379**	**29 356 028**	Sub-Total	**128 595 407**	**121 982 235**	**106 551 845**	**103 559 674**	**22 043 561**
					Revenue Foregone					
123 160 276	**119 498 805**	**93 804 248**	**96 904 379**	**29 356 028**	Total	**128 595 407**	**121 982 235**	**106 551 845**	**103 559 674**	**22 043 561**

APPENDIX E(1)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Variance	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Expenditure Unauthorised	Expenditure authorised in terms of s32	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	2 659 000	-	2 659 000	-	-	2 659 000	2 659 000	-	-	100.00	100.00				4 545 000
Budget and Treasury Office	67 815 345	-	67 815 345	-	(128 900)	67 686 445	69 256 363	-	1 569 918	102.32	102.12				65 670 190
Corporate Services	110 000	-	110 000	-	184 222	294 222	298 968	-	(5 254)	98.27	271.79				1 690 609
Community and Public Safety:															
Community and Social Services	1 905 500	-	1 905 500	-	510 217	2 415 717	2 112 081	-	(303 636)	87.43	110.84				2 091 353
Sport and Recreation	7 000	-	7 000	-	2 259 494	2 266 494	2 582 590	-	326 096	114.39	37 087.00				5 553 550
Public Safety	130 000	-	130 000	-	335 000	465 000	359 488	-	(105 512)	77.30	276.51				449 088
Housing	-	-	-	-	-	-	1 275 053	-	1 275 053	0.00	0.00				441 753
Economic and Environmental Services:															
Planning and Development	45 195 780	-	45 195 780	-	(3 468 628)	41 727 132	46 617 140	-	4 890 009	111.72	103.14				35 795 537
Road Transport	1 315 570	-	1 315 570	-	(570 000)	745 570	699 845	-	(45 822)	93.86	53.20				512 436
Trading Services:															
Waste Management	3 698 655	-	3 698 655	-	15 000	3 713 655	2 725 816	-	(987 839)	73.40	73.70				3 280 846
Total Revenue - Standard	122 836 830	-	122 836 830	-	(334 595)	121 982 235	128 595 407	-	6 613 172	105.42	104.68	-	-	-	123 160 276
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	10 745 545	-	10 745 545	-	542 670	11 288 215	10 529 518	-	(758 700)	93.28	97.99				10 157 216
Budget and Treasury Office	19 145 082	-	19 145 082	-	(475 500)	18 670 182	12 890 439	-	(5 779 743)	69.04	67.33				11 409 950
Corporate Services	12 357 938	-	12 357 938	-	(903 800)	11 454 138	11 870 278	-	416 140	103.63	96.05				12 122 774
Community and Public Safety:															
Community and Social Services	11 508 012	-	11 508 012	-	726 381	12 234 393	14 656 222	-	2 421 829	119.80	127.36				10 595 287
Sport and Recreation	2 361 512	8 000	2 369 512	-	3 274 500	5 644 012	5 126 437	-	(517 575)	90.83	217.08				5 780 430
Public Safety	3 032 431	30 000	3 062 431	-	373 700	3 436 131	3 243 992	-	(192 140)	94.41	106.98				3 042 246
Housing	-	-	-	-	-	-	1 275 053	-	1 275 053	0.00	0.00				441 753
Economic and Environmental Services:															
Planning and Development	20 954 516	-	20 954 516	-	(1 217 253)	19 737 263	21 512 156	-	1 774 893	108.99	102.66				19 205 043
Road Transport	14 160 984	(58 000)	14 122 984	-	2 612 100	16 735 084	21 370 219	-	4 635 135	127.70	150.70				17 127 394
Trading Services:															
Waste Management	3 928 665	(10 000)	3 918 655	-	441 600	4 360 255	4 077 544	-	(282 711)	93.52	103.79				3 642 138
Total Expenditure - Standard	98 216 276	(30 000)	98 186 276	-	5 374 398	103 559 674	106 551 846	-	2 992 172	102.89	108.49	-	-	-	93 804 248
Surplus/(Deficit) for the year	24 621 554	30 000	24 651 554	-	(5 708 993)	18 422 561	22 043 561	-	3 621 001	119.66	89.53	-	-	-	29 356 028

APPENDIX E (2)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16			
	Original Total Budget	Budget adjustments	Final Adjustments Budget	Shifting of Funds	Variance	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised in terms of S32 of MFMA	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Executive and Council	2 859 000	-	2 859 000	-	-	2 859 000	2 859 000	-	-	100.00	100.00				4 550 000
Vote 2 - Finance and Administration	67 726 345	-	67 926 345	-	64 322	67 990 667	68 554 331	-	1 564 809	102.30	102.40				66 671 149
Vote 3 - Community and Social Services	1 905 500	-	1 905 500	-	510 217	2 415 717	3 357 113	-	971 396	140.21	177.75				3 222 065
Vote 4 - Planning and Development	45 195 780	-	45 195 780	-	(3 466 628)	41 727 152	46 617 140	-	4 890 008	111.72	103.14				39 705 937
Vote 5 - Public Safety	930 000	-	930 000	-	(235 000)	695 000	463 908	-	(231 092)	66.75	49.88				526 220
Vote 6 - Road Transport	515 570	-	515 570	-	-	515 570	595 508	-	79 938	115.50	115.50				595 687
Vote 7 - Sport and Recreation	7 000	-	7 000	-	2 259 494	2 266 494	2 562 590	-	296 096	114.39	37 037.00				5 683 580
Vote 8 - Waste Management	3 398 655	-	3 698 655	-	15 000	3 713 655	2 725 816	-	(987 839)	73.40	73.70				3 290 848
Total Revenue by Vote	122 636 850	-	122 836 850	-	(854 595)	121 982 255	130 695 407	-	6 613 172	105.42	104.59	-	-	-	125 160 276
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	10 745 545	-	10 745 545	-	542 670	11 288 215	10 529 516	-	(758 700)	93.28	97.99				10 157 216
Vote 2 - Finance and Administration	29 544 190	-	29 544 190	-	(1 967 300)	27 576 890	22 416 627	-	(5 160 264)	80.41	75.87				19 297 063
Vote 3 - Community and Social Services	11 595 012	-	11 595 012	-	912 881	12 447 893	15 145 954	-	3 698 061	129.71	139.97				14 509 898
Vote 4 - Planning and Development	20 954 516	-	20 954 516	-	(1 217 253)	19 737 263	21 512 158	-	1 771 883	108.98	102.66				19 205 048
Vote 5 - Public Safety	7 412 578	-	7 412 578	-	590 400	8 002 978	7 515 692	-	(487 386)	93.91	101.39				8 064 811
Vote 6 - Road Transport	11 769 267	(28 000)	11 732 267	-	2 683 400	14 415 667	19 255 817	-	4 840 150	133.55	163.74				16 178 692
Vote 7 - Sport and Recreation	2 784 512	8 000	2 342 512	-	3 088 000	5 430 512	5 098 639	-	(331 873)	93.89	218.40				5 719 070
Vote 8 - Waste Management	3 926 656	(10 000)	3 916 655	-	441 600	4 358 255	4 077 544	-	(282 711)	93.52	103.79				3 642 119
Total Expenditure by Vote	98 215 276	(30 000)	98 186 276	-	5 374 398	103 559 674	106 551 945	-	2 892 172	102.89	108.49	-	-	-	93 804 248
Surplus/(Deficit) for the year	24 621 564	30 000	24 651 564	-	(6 228 993)	18 422 581	24 143 461	-	3 621 001	119.66	98.53	-	-	-	31 356 028

APPENDIX E (3)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17										2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Expected Unauthorised Expenditure	Expenditure authorised in terms of S32	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	11 900 000	-	11 900 000	-	-	11 900 000	11 328 074	-	(171 926)	98.56	98.50	-	-	-	10 995 181
Property Rates - Penalties & Collection Charges	750 000	-	750 000	-	150 000	900 000	1 452 231	-	552 231	161.36	193.63	-	-	-	1 282 718
Service Charges - Refuse	500 000	-	500 000	-	-	500 000	487 504	-	(12 496)	97.50	97.50	-	-	-	461 185
Rental of Facilities and Equipment	734 260	-	734 260	-	2 195 594	2 929 854	3 297 160	-	367 306	112.54	449.05	-	-	-	6 223 857
Interest Earned - External Investments	4 050 000	-	4 050 000	-	10 000	4 060 000	3 900 881	-	(159 119)	96.08	96.32	-	-	-	3 946 953
Interest Earned - Outstanding Debtors	75 000	-	75 000	-	15 000	90 000	94 603	-	4 603	105.11	126.14	-	-	-	91 372
Fines	102 000	-	102 000	-	250 000	352 000	349 579	-	(102 421)	78.90	244.88	-	-	-	355 099
Licences and Permits	820 500	-	820 500	-	(665 000)	255 500	129 952	-	(125 548)	50.86	15.84	-	-	-	29 377
Agency Services	535 570	-	535 570	-	17 000	552 570	631 974	-	79 404	114.37	118.00	-	-	-	571 967
Transfers Recognised - Operational	86 029 000	(7 845 191)	78 183 809	-	(3 144 189)	75 039 620	70 336 778	-	(4 702 841)	93.73	81.76	-	-	-	97 124 841
Other Revenue	384 500	-	384 500	-	217 000	581 500	602 231	-	20 731	103.57	165.22	-	-	-	2 044 149
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contrib	105 480 830	(7 845 191)	97 815 638	-	(854 595)	96 761 043	92 510 968	-	(4 250 075)	95.61	87.72	-	-	-	123 180 218
Expenditure															
Employee Related Costs	39 989 508	-	39 989 508	-	(741 768)	39 227 740	36 658 674	-	(2 569 067)	93.45	91.72	-	-	-	33 562 677
Remuneration of Councillors	4 641 800	-	4 641 800	-	(97 220)	4 544 580	4 313 323	-	(231 057)	94.92	92.93	-	-	-	4 202 208
Debt Impairment	950 000	-	950 000	-	400 000	1 350 000	1 423 862	73 862	73 862	105.48	149.88	-	-	-	980 872
Depreciation and Asset Impairment	8 932 944	-	8 932 944	-	2 319 136	11 552 080	23 070 209	11 518 128	11 518 128	199.71	258.29	-	-	-	16 575 844
Finance Charges	570 000	-	570 000	-	(282 200)	287 800	325 498	37 698	37 698	113.10	57.10	-	-	-	421 573
Other Materials	2 416 690	(35 000)	2 381 690	-	703 000	3 084 688	2 984 118	-	(100 562)	96.75	123.50	-	-	-	1 929 455
Contracted Services	7 284 315	-	7 284 315	-	2 253 000	9 537 315	9 105 310	-	(432 005)	95.47	125.00	-	-	-	8 315 864
Transfers and Grants	905 000	-	905 000	-	510 000	1 415 000	2 914 926	1 499 926	1 499 926	205.99	322.09	-	-	-	1 995 716
Other Expenditure	32 545 428	25 000	32 570 428	-	(19 550)	32 550 878	25 746 126	-	(6 804 753)	79.10	79.11	-	-	-	25 881 807
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	326
Total Expenditure	98 215 276	(30 000)	98 185 276	-	5 374 398	103 559 674	106 551 845	13 129 614	2 992 172	102.89	108.49	-	-	-	93 804 248
Surplus/(Deficit)	7 245 554	(7 815 191)	(569 637)	-	(6 228 993)	(6 798 630)	(14 040 877)	(13 129 414)	(7 242 247)	0.00	0.00	-	-	-	29 356 028
Transfers Recognised - Capital	17 376 000	7 845 191	25 221 191	-	-	25 221 191	38 084 458	10 863 248	10 863 248	143.07	207.67	-	-	-	-
Surplus/(Deficit) for the Year	24 621 554	30 000	24 651 554	-	(6 228 993)	18 422 561	22 043 581	(2 266 167)	3 621 001	119.66	89.53	-	-	-	29 356 028

APPENDIX E(4)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17											2015/16			
	Original FY Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised in terms of Sec 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	25 000	901 000	926 000	-	27 937	953 937	170 300	-	(783 637)	17.85	681.20	-	-	-	-
Vote 2 - Finance and Administration	404 000	3 019 000	3 423 000	-	(11 668)	3 411 332	1 184 818	-	(2 226 514)	34.73	293.27	-	-	-	-
Vote 3 - Community and Social Services	440 000	15 000	455 000	-	(142 783)	312 217	5 404 908	-	5 092 691	1 731.14	1 228.39	-	-	-	-
Vote 4 - Planning and Development	2 155 000	1 398 000	3 553 000	-	(16 500)	3 536 500	4 478 282	-	941 782	126.63	207.81	-	-	-	-
Vote 5 - Public Safety	380 000	284 000	664 000	-	300	664 300	222 144	-	(442 156)	33.44	58.48	-	-	-	-
Vote 6 - Road Transport	17 829 000	7 783 000	25 609 000	-	366	25 609 366	28 760 556	-	3 151 189	112.30	161.34	-	-	-	-
Vote 7 - Sport and Recreation	15 090 000	(10 076 000)	5 014 000	-	314 500	5 328 500	-	-	(5 328 500)	0.00	0.00	-	-	-	-
Vote 8 - Waste Management	-	-	-	-	-	-	(66 310)	-	(66 310)	0.00	0.00	-	-	-	-
Total Capital Expenditure - Single-year	36 320 000	3 324 000	39 644 000	-	172 152	39 816 152	40 154 696	-	338 544	100.85	110.56	-	-	-	-
Total Capital Expenditure - Vote	36 320 000	3 324 000	39 644 000	-	172 152	39 816 152	40 154 696	-	338 544	100.85	110.56	-	-	-	-
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	25 000	901 000	926 000	-	27 937	953 937	170 300	-	(783 637)	17.85	681.20	-	-	-	287 904
Budget and Treasury Office	180 000	2 765 000	2 945 000	-	(11 250)	2 938 750	1 152 908	-	(1 784 842)	39.24	720.19	-	-	-	22 824
Corporate Services	244 000	231 000	475 000	-	(418)	474 582	32 510	-	(442 072)	6.85	13.32	-	-	-	-
Community and Public Safety:															
Community and Social Services	440 000	15 000	455 000	-	(142 783)	312 217	5 404 908	5 092 691	5 092 691	1 731.14	1 228.39	-	-	-	3 385 586
Sport and Recreation	15 090 000	(10 076 000)	5 014 000	-	314 500	5 328 500	-	-	(5 328 500)	0.00	0.00	-	-	-	-
Public Safety	380 000	284 000	664 000	-	300	664 300	222 141	-	(442 159)	33.44	58.48	-	-	-	406 304
Economic and Environmental Services:															
Planning and Development	2 155 000	1 398 000	3 553 000	-	(16 500)	3 536 500	4 478 282	941 782	941 782	126.63	207.81	-	-	-	3 401 845
Road Transport	17 829 000	7 783 000	25 609 000	-	366	25 609 366	28 760 556	3 151 189	3 151 189	112.30	161.34	-	-	-	22 325 619
Trading Services:															
Waste Management	-	-	-	-	-	-	(66 310)	-	(66 310)	0.00	0.00	-	-	-	3 170 899
Total Capital Expenditure - Standard	36 320 000	3 324 000	39 644 000	-	172 152	39 816 152	40 154 696	9 185 660	338 544	100.85	110.56	-	-	-	33 906 975
FUNDED BY:															
National Government	31 056 000	(3 400 000)	27 656 000	-	372	27 656 372	31 348 739	3 692 367	3 692 367	113.35	100.94	-	-	-	8 509 001
Provincial Government	2 000 000	1 000 000	3 000 000	-	383 439	3 383 439	357 152	-	(3 026 286)	10.56	17.86	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 470 871
Transfers Recognised - Capital	33 056 000	(2 400 000)	30 656 000	-	383 811	31 039 811	31 705 891	3 692 367	668 081	102.15	95.92	-	-	-	10 278 572
Internally Generated Funds	3 264 000	5 724 000	8 988 000	-	(211 659)	8 776 342	8 448 804	-	(327 537)	96.27	258.85	-	-	-	10 627 412
Total Capital Funding	36 320 000	3 324 000	39 644 000	-	172 152	39 816 152	40 154 696	3 692 367	338 543	100.85	110.56	-	-	-	21 207 384
							(0)		(0)						

APPENDIX E(5)
RICHMOND LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17								2015/16
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	16 957 000	(2 828 000)	14 129 000	14 129 000	(4 355 121)	(18 484 121)	0.00	0.00	1 163 744
Government - Operating	86 029 000	(11 161 191)	74 867 809	74 867 809	67 910 327				70 256 119
Government - Capital	17 376 000	7 845 191	25 221 191	25 221 191	36 084 439	10 863 248	143.07	207.67	27 255 660
Interest	3 153 000	907 000	4 060 000	4 060 000	3 900 881	(159 119)	96.08	123.72	3 945 953
Payments									
Suppliers and Employees	(84 648 000)	(3 493 000)	(88 141 000)	(87 631 000)	(75 704 643)	11 926 357	0.00	0.00	(66 411 252)
Finance Charges	(440 000)	292 000	(148 000)	(148 000)	(325 496)	(177 496)	0.00	0.00	(453 573)
Transfers and Grants	(905 000)	-	(905 000)	(1 415 000)	(2 914 928)	(1 499 928)	0.00	0.00	(1 998 716)
NET CASH FROM / (USED) OPERATING ACTIVITIES	37 522 000	(8 438 000)	29 084 000	29 084 000	24 595 458	2 468 941	84.57	65.55	33 757 935
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	0.00	0.00	-
Payments									
Capital Assets	(36 320 000)	640 000	(35 680 000)	(35 680 000)	(40 154 696)	(4 474 696)	0.00	0.00	(33 034 530)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(36 320 000)	640 000	(35 680 000)	(35 680 000)	(40 154 696)	(4 474 696)	0.00	0.00	(33 034 530)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	242 307
Payments									
Loans repaid	(41 000)	91 000	50 000	50 000	(77 464)	(127 464)	0.00	0.00	(292 795)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(41 000)	91 000	50 000	50 000	(77 464)	(127 464)	0.00	0.00	(50 488)
NET INCREASE / (DECREASE) IN CASH HELD	(1 161 000)	7 707 000	6 546 000	6 546 000	15 636 702	9 090 702	238.87	0.00	(672 917)
Cash / Cash Equivalents at the Year begin:	57 900 000	(10 164 800)	47 735 200	47 735 200	47 736 089	889	100.00	82.45	47 063 172
Cash / Cash Equivalents at the Year end:	59 061 000	(17 871 800)	41 189 200	41 189 200	32 099 387	(9 089 813)	77.93	54.35	47 736 089

APPENDIX F
RICHMOND LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act ( ) See Below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	23 177 000	18 542 000	13 906 000	0	23 177 000	18 542 000	13 906 000	0	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
FMG	Nat Treasury	1 825 000	0	0	0	220 381	384 581	319 973	900 066	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
MIG Projects	MIG	11 000 000	15 000 000	0	0	577 034	10 348 403	8 567 263	8 507 215	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
DME Projects	DME		6 500 000	2 500 000	0	9 000 000	0	0	0	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
DOHS Grant (Zwelethu Hous	Province	0	0	1 275 053	0	0	0		1 275 053	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
EPWP Incentive Grant	Province	318 000	575 000	384 000	0	79 464	124 667	518 826	554 023	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
Library Services Grant	Province	0	715 000	0	0	0	715 000	0	0	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
Library Cyber Cadet	Province	0	179 000	0	0	45 050	45 050	55 888	33 012	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
Scholar Patrol Grant	Province	0	0	0	87 973	20 422	24 013	19 749	23 789	N/A	N/A	N/A	N/A	N/A	[illegible]	N/A
Total Grants and Subsidies Received		36 320 000	41 511 000	18 065 053	87 973	33 119 351	30 183 819	23 387 919	9 293 157	0	0	0	0			

( ) Do you municipality comply with the grant conditions in terms of Grant Framework in the [illegible] of Revenue Act

APPENDIX G
RICHMOND LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Ragavaloo A. (01/07/2016 to 10/08/2016)	-	78 686	-	3 358	1 500	-	-	-	-	-	-	83 544
Mchunu S.J.	-	637 403	-	25 558	18 210	-	-	-	-	-	-	681 171
Deputy Mayor												
Ngcobo P.C. (01/07/2016 to 10/08/2016)	-	27 172	-	9 762	-	-	-	-	-	-	-	36 934
Phoswa T.	-	160 314	-	67 236	-	-	-	-	-	-	-	227 549
Speaker												
Ndlovu S.B.	-	180 585		91 883	14 400	-	-	-	-	-	-	286 868
Executive Committee												
Madonda T.C.	-	165 076	-	75 249	41 697	-	-	-	-	-	-	282 022
Other Councillors												
Jill J.	-	150 548	-	70 107	16 965	-	-	-	-	-	-	237 620
Madonda T.C. (01/07/2016 to 10/08/2016)	-	13 603	-	6 842	1 795	-	-	-	-	-	-	21 240
Magubane K.E. (01/07/2016 to 10/08/2016)	-	18 494	-	7 514	1 870	-	-	-	-	-	-	27 878
Mdlalose S.A. (01/07/2016 to 10/08/2016)	-	18 621	-	7 514	1 843	-	-	-	-	-	-	27 878
Mkhize N.O. (01/07/2016 to 10/08/2016)	-	20 364	-	7 514	-	-	-	-	-	-	-	27 878
Mngadi B.M. (01/07/2016 to 10/08/2016)	-	19 895	-	7 514	469	-	-	-	-	-	-	27 878
Moonsamay P. (01/07/2016 to 10/08/2016)	-	18 924	-	7 514	1 440	-	-	-	-	-	-	27 878
Ngcongo B.	-	163 257	-	70 107	4 256	-	-	-	-	-	-	237 620
Ngubo M.D.B. (01/07/2016 to 10/08/2016)	-	19 895	-	7 514	469	-	-	-	-	-	-	27 878
Shange R.B.	-	150 548	-	70 107	16 965	-	-	-	-	-	-	237 620
Tshelembe W.T. (01/07/2016 to 10/08/2016)	-	20 364	-	7 514	-	-	-	-	-	-	-	27 878
Phoswa N.P.	-	94 346	-	112 694	4 440	-	-	-	-	-	-	211 431
Mkhize S.J.	-	149 051	-	62 380	-	-	-	-	-	-	-	211 431
Maphumulo V.	-	146 351	-	62 380	2 700	-	-	-	-	-	-	211 431
Shange S.P.	-	149 051	-	62 380	-	-	-	-	-	-	-	211 431
Mkhize K.	-	146 350	-	62 380	2 700	-	-	-	-	-	-	211 431
Ngcobo S.	-	149 051	-	62 380	-	-	-	-	-	-	-	211 431
Mkhwana N.	-	146 330	-	62 380	2 700	-	-	-	-	-	-	211 431
Ndlovu S.B.	-	5 303	-	2 857	-	-	-	-	-	-	-	8 160
Total for Councillors	-	2 649 502	-	1 031 589	134 419	-	-	-	-	-	-	4 015 510
Municipal Manager												
Sithole E.S.	-	913 164	-	110 723	36 225	-	-	-	-	-	-	1 061 711
Mkhize S.D.	-	45 000	-	-	-	-	-	-	-	-	-	45 000
Chief Financial Officer												
Mewalall S.	-	949 834	-	132 000	1 877	-	-	-	-	-	-	1 083 710
Manager: Community Services												
Mhlongo B.M.	-	781 044	-	192 000	99 120	-	-	-	-	-	-	1 072 164
Manager: Corporate Services												
Mthmebu S.L.	-	762 859	-	192 000	88 342	-	-	-	-	-	-	1 043 002
Manager: Technical Services												
Mkhize S.D.	-	813 439	-	286 000	1 877	-	-	-	-	-	-	1 101 316
Total for Senior Managers	-	4 267 139	-	912 323	227 441	-	-	-	-	-	-	5 406 903
Total for Management	-	7 116 641	-	1 943 911	361 860	-	-	-	-	-	-	9 422 413

30 June 2016

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post employment Benefits	Termination Benefits	Other Long term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mayor												
Ragavaloo A.	-	680 006	-	30 468	72 006	-	-	-	-	-	-	782 480
Deputy Mayor												
Ngcobo P.C.	-	271 003	-	88 571	-	-	-	-	-	-	-	359 574
Speaker												
(Vacant)	-	-	-	-	-	-	-	-	-	-	-	-
Executive Committee												
Kunene T.D.	-	230 499	-	77 518	2 399	-	-	-	-	-	-	310 416
Other Councillors												
Jili J.	-	173 484	-	68 175	11 310	-	-	-	-	-	-	252 949
Madonda T.C.	-	163 238	-	68 175	21 536	-	-	-	-	-	-	252 949
Magubane K.E.	-	167 809	-	68 175	16 965	-	-	-	-	-	-	252 949
Maphumulo M. (Deceased Jan 2016)	-	94 674	-	39 769	13 111	-	-	-	-	-	-	147 553
Mdlalose S.A.	-	166 055	-	68 175	16 719	-	-	-	-	-	-	252 949
Mkhize N.O. (March to June 2016)	-	65 719	-	7 038	-	-	-	-	-	-	-	72 757
Mngadi B.M.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Moonsamay P.	-	167 494	-	68 175	17 280	-	-	-	-	-	-	252 949
Ngcongo B.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Ngubo M.D.B.	-	180 518	-	68 175	4 256	-	-	-	-	-	-	252 949
Shange R.B.	-	167 809	-	68 175	16 965	-	-	-	-	-	-	252 949
Tshelembe W.T.	-	184 774	-	68 175	-	-	-	-	-	-	-	252 949
Total for Councillors	-	3 076 007	-	926 114	201 058	-	-	-	-	-	-	4 202 268
Municipal Manager												
Sithole E.S.	-	981 352	-	145 200	39 578	-	-	-	-	-	-	1 166 130
Chief Financial Officer												
Mewalall S.	-	831 271	-	127 800	10 664	-	-	-	-	-	-	969 735
Manager: Community Services												
Mhlongo B.M.	-	701 512	-	177 000	97 923	-	-	-	-	-	-	976 436
Manager: Corporate Services												
Mthmebu S.L.	-	717 309	-	109 800	82 127	-	-	-	-	-	-	909 236
Manager: Technical Services												
Mkhize S.D.	-	703 564	-	275 800	1 872	-	-	-	-	-	-	981 236
Total for Senior Managers	-	3 935 008	-	895 600	232 165	-	-	-	-	-	-	5 062 773
Total for Management	-	7 011 106	-	1 820 714	433 222	-	-	-	-	-	-	9 265 041

APPENDIX H
RICHMOND LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments
						2017	2016		
	FINANCIAL POSITION								
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%	Total Operating Expenditure Taxation Expense Total Capital Expenditure			*Refer to Page 2 of MFMA Circular No 71*	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%	PPE, Investment Property & Intangible Impairment PPE at Carrying Value IP at Carrying Value Intangible Assets at Carrying Value			*Refer to Page 3 of MFMA Circular No 71*	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%	Total Repairs and Maintenance Expenditure PPE at Carrying Value Investment Property at Carrying Value			*Refer to Page 4 of MFMA Circular No 71*	
	Debtors Management								
1.	Collection Rate	((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%	Gross Debtors Closing Balance Gross Debtors Opening Balance Bad Debts Written-off Billed Revenue			*Refer to Page 5 of MFMA Circular No 71*	
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%	Consumer Debtors Bad Debts Written-off Consumer Debtors Current Bad Debt Provision			*Refer to Page 5 of MFMA Circular No 71*	
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days	Gross Debtors Bad Debts Provision Billed Revenue			*Refer to Page 6 of MFMA Circular No 71*	
	Liquidity Management								
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months	Cash and Cash Equivalents Unspent Conditional Grants Overdraft Short-term Investments Total Annual Operational Expenditure			*Refer to Page 7 of MFMA Circular No 71*	
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	Current Assets Current Liabilities			*Refer to Page 7 of MFMA Circular No 71*	

APPENDIX H

RICHMOND LOCAL MUNICIPALITY

RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments
						2017	2016		
[illegible]									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid			Refer to Page 8 of MFMA Circular No 71	
					Redemption				
					Total Operating Expenditure				
					Taxation Expense				
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt			Refer to Page 9 of MFMA Circular No 71	
					Total Operating Revenue				
					Operational Conditional Grants				
[illegible]									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and Cash Equivalents			Refer to Page 9 of MFMA Circular No 71	
					Bank Overdraft				
					Short Term Investment				
					Long Term Investment				
					Unspent Grants				
					Net Assets				
					Share Premium				
					Share Capital				
					Revaluation Reserve				
					Fair Value Adjustment Reserve				
					Accumulated Surplus				
[illegible]	FINANCIAL PERFORMANCE								
[illegible]									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	Total Operating Revenue			Refer to Page 10 of MFMA Circular No 71	
					Depreciation - Revalued Portion				
					Total Operating Expenditure				
					Taxation Expense				
2.	Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure /Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%	Total Electricity Revenue			Refer to Page 10 of MFMA Circular No 71	
					Total Electricity Expenditure				
3.	Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Water Revenue			Refer to Page 11 of MFMA Circular No 71	
					Total Water Expenditure				
4.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Refuse Revenue			Refer to Page 12 of MFMA Circular No 71	
					Total Refuse Expenditure				
5.	Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Sanitation and Waste Water Revenue			Refer to Page 12 of MFMA Circular No 71	
					Total Sanitation and Waste Water Expenditure				

APPENDIX H

RICHMOND LOCAL MUNICIPALITY

RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (if)
						2017	2016		
1.	Electricity Distribution Losses (Percentage)	((Number of Electricity Units Purchased and/or Generated - Number of Units Sold) / Number of Electricity Units Purchased and/or Generated)) * 100	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of Units Purchased and/or Generated Number of Units Sold			Refer to Page 13 of MFMA Circular No 71	
2.	Water Distribution Losses (Percentage)	((Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purchased or Purified) * 100	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of Kilolitres Purchased and/or Purified Number of Kilolitres Sold			Refer to Page 13 of MFMA Circular No 71	
1.	Growth in Number of Active Consumer Accounts	(((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)	-5.65%	0.20%	Refer to Page 14 of MFMA Circular No 71	
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)			Refer to Page 15 of MFMA Circular No 71	
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS , Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue, excluding Capital Grants (Previous) Total Revenue, excluding Capital Grants (Current)			Refer to Page 15 of MFMA Circular No 71	
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days	Trade Creditors Contracted Services Repairs and Maintenance General Expenses Bulk Purchases Capital Credit Purchases			Refer to Page 16 of MFMA Circular No 71	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure Total Operating Expenditure Taxation Expense			Refer to Page 16 of MFMA Circular No 71	
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%	Employee / Personnel Related Cost Councillors Remuneration Total Operating Expenditure Taxation Expense			Refer to Page 17 of MFMA Circular No 71	
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%	Contracted Services Total Operating Expenditure Taxation Expense			Refer to Page 17 of MFMA Circular No 71	

APPENDIX H

RICHMOND LOCAL MUNICIPALITY

RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017

	Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (if)
						2017	2016		
	Capital Expenditure								
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None	Internally Generated Funds Borrowings Total Capital Expenditure	21.04% [illegible]	61.01% [illegible]	Refer to Page 18 of MFMA Circular No 71	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None	Internally Generated Funds Total Capital Expenditure	21.04% [illegible]	51.01% [illegible]	Refer to Page 18 of MFMA Circular No 71	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None	Total Revenue Government Grant and Subsidies Public Contributions and Donations Capital Grants	24.04% [illegible]	27.04% [illegible]	Refer to Page 18 of MFMA Circular No 71	
	BUDGET IMPLEMENTATION								
	Capital								
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%	Actual Capital Expenditure Budgeted Capital Expenditure	[illegible]	[illegible]	Refer to Page 19 of MFMA Circular No 71	
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Operating Expenditure Budgeted Operating Expenditure	[illegible]	[illegible]	Refer to Page 20 of MFMA Circular No 71	
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Operating Revenue Budgeted Operating Revenue	[illegible]	[illegible]	Refer to Page 20 of MFMA Circular No 71	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Service Charges and Property Rates Revenue Budgeted Service Charges and Property Rates Revenue	[illegible]	[illegible]	Refer to Page 21 of MFMA Circular No 71	

Interpretation of Results:

The green colour indicates that the result is within the norm and is acceptable.

The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.

Data should be captured in the blue coloured cell to calculate a ratio.

In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.