Dipaleseng Local Municipality
Annual financial statements
for the year ended 30 June 2017

General Information

Legal form of entity	Local Municipality (MP306)
Demarcation code	MP 306
Members of Council	12
Executive Mayor	Councillor: ML Makhubu
Speaker	Councillor: KB Nkosi
Councillors	Councillor: MD Khanye (MMC)
	Councillor: SZ Ngwenya (MMC)
	Councillor: AK Nyamade (MPAC)
	Councillor: PM Mokoena
	Councillor: TJ Mahlangu
	Councillor: LM Maruping
	Councillor: SME Nhlapho
	Councillor: BN Nkosi
	Councillor: WS Davel
	Councillor: Dlamini MF
	Councillor: DS Sithole (End of term)
	Councillor: AS Motloung (End of term)
	Councillor: RJ Hall (End of term)
	Councillor: DG Zwane (End of term)
	Councillor: N Zwane (End of term)
	Councillor: AN Carrim (End of term)
	Councillor: M Tsotetsi (End of term)
Accounting Officer	Mr. SL Netshivhale
Chief Financial Officer (CFO)	Ms A Ngema
Grading of local authority	Low Capacity Municipality (Grade 2)
Nature of business and principal activities	Local government institution in the Gert Sibande District, Mpumalanga
Auditors	Auditor General South Africa
Bankers	First National Bank Limited South Africa
Legal advisors	Panel of attorneys
Currency	South African Rand
Rounding off	Nearest Rand
Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Postal address	Private Bag X1005 Balfour Mpumalanga 2410
Telephone number	017 773 0055

General Information

Fax number	017 773 0169
email address	dipaleseng@worldonline.co.za
Website	www.dipaleseng.gov.za

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Accounting Officer
Mr SL Netshivhale

Balfour 31 August 2017

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

Net surplus of the municipality was 6 353 729 (2016: deficit 25 574 253).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Acceptible Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Standard Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year were Mr. DV Ngcobo and at reporting date Mr S. Netshivhale .

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King 4 Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitors the municipality's compliance with the code on a quarterly basis.

The salient features of the municipality's adoption of the Code are outlined below:

Audit committee

During the current financial year the chairperson of the audit committee was Mr. A.C. Keyser who is an independent audit committee member. The Municipality has in addition two other independent audit committee members.

Internal audit

The Municipal internal audit unit is headed by Mr S.A.Z. Nzuza This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First National Bank Limited will continue to provide financial services to the municipality.

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	145 446	23 624 559
Receivables from non-exchange transactions	3	1 861 713	1 388 858
Receivables from exchange transactions	4	10 231 577	12 659 170
Inventories	5	29 812	275 983
		12 268 548	**37 948 570**
Non-Current Assets			
Investment property	8	52 493 011	53 745 775
Property, plant and equipment	9	413 656 056	379 571 750
Intangible assets	6	405 017	350 074
Financial asset	7	216 815	216 815
		466 770 899	**433 884 414**
Total Assets		**479 039 447**	**471 832 984**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	76 875 208	70 274 673
Consumer deposits	11	1 457 055	1 519 586
VAT payable	12	17 602 819	14 366 633
Unspent conditional grants and receipts	13	460 871	20 812 327
Provisions	14	19 935 130	20 525 686
Employee benefit obligation	15	295 293	278 712
		116 626 376	**127 777 617**
Non-Current Liabilities			
Employee benefit obligation	15	11 218 706	11 908 059
Provisions	14	31 516 628	18 823 293
		42 735 334	**30 731 352**
Total Liabilities		**159 361 710**	**158 508 969**
Net Assets		**319 677 737**	**313 324 015**
Accumulated surplus		319 677 737	313 324 015

* See Note 38

Statement of Financial Performance for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	85 115 254	75 681 858
Rental of facilities and equipment		213 377	212 641
Licences and permits		1 634 693	3 493 909
Other income	17	632 932	790 751
Interest revenue	18	19 106 101	22 290 146
Total revenue from exchange transactions		**106 702 357**	**102 469 305**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	13 724 228	13 645 484
Transfer revenue			
Government grants & subsidies	20	95 522 131	81 424 896
Fines		228 000	1 521 250
Total revenue from non-exchange transactions		**109 474 359**	**96 591 630**
Total revenue	21	**216 176 716**	**199 060 935**
Expenditure			
Employee related costs	23	(50 410 799)	(50 691 457)
Remuneration of councillors	24	(5 103 822)	(4 959 312)
Depreciation and amortisation	25	(19 558 704)	(19 402 057)
Impairment loss	32	(116 074)	(102 249)
Finance costs	26	(1 910 179)	(395 393)
Lease rentals on operating lease		(572 340)	(679 502)
Debt Impairment	27	(36 089 338)	(51 054 262)
Repairs and maintenance		(5 050 859)	(5 850 378)
Bulk purchases	28	(50 284 084)	(46 614 852)
Transfers and Subsidies	29	(3 384 303)	(3 163 334)
General Expenses	30	(34 296 477)	(41 165 481)
Total expenditure		**(206 776 979)**	**(224 078 277)**
Operating surplus (deficit)		**9 399 737**	**(25 017 342)**
Loss on disposal of assets and liabilities		(2 110 329)	-
Fair value adjustments	31	(935 679)	(556 911)
		(3 046 008)	**(556 911)**
Surplus (deficit) for the year		**6 353 729**	**(25 574 253)**

* See Note 38

Statement of Changes in Net Assets for the year ended 30 June 2017

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	318 386 501	318 386 501
Adjustments		
Prior year adjustments	20 511 767	20 511 767
Balance at 01 July 2015 as restated*	**338 898 268**	**338 898 268**
Changes in net assets		
Restated Surplus for the year	(25 574 253)	(25 574 253)
Total changes	(25 574 253)	(25 574 253)
Restated* Balance at 01 July 2016	**313 324 008**	**313 324 008**
Changes in net assets		
Deficit for the year	6 353 729	6 353 729
Total changes	6 353 729	6 353 729
Balance at 30 June 2017	**319 677 737**	**319 677 737**

* See Note 38

Cash Flow Statement for the year ended 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 932 882	62 033 926
Grants		75 170 675	77 490 327
Interest income		19 106 101	22 290 146
Other receipts		2 481 002	4 552 517
		161 690 660	166 366 916
Payments			
Employee costs		(56 187 393)	(54 787 969)
Suppliers		(71 464 930)	(91 600 928)
Finance costs		(1 910 179)	(395 393)
		(129 562 502)	(146 784 290)
Net cash flows from operating activities	34	**32 128 158**	**19 582 626**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(56 233 010)	(20 810 203)
Proceeds from sale of property, plant and equipment	9	627 072	-
Purchase of intangible assets	6	(1 333)	-
Net cash flows from investing activities		**(55 607 271)**	**(20 810 203)**
Net increase/(decrease) in cash and cash equivalents		**(23 479 113)**	**(1 227 577)**
Cash and cash equivalents at the beginning of the year		23 624 559	24 852 135
Cash and cash equivalents at the end of the year	2	**145 446**	**23 624 558**

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	83 539 467	-	**83 539 467**	85 115 254	**1 575 787**	
Rental of facilities and equipment	219 156	-	**219 156**	213 377	**(5 779)**	
Licences and permits	3 473 249	-	**3 473 249**	1 634 693	**(1 838 556)**	47.9
Other income	1 130 899	-	**1 130 899**	632 932	**(497 967)**	47.21
Interest revenue	17 511 842	-	**17 511 842**	19 106 101	**1 594 259**	47.10
Total revenue from exchange transactions	**105 874 613**	**-**	**105 874 613**	**106 702 357**	**827 744**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 924 000	-	**14 924 000**	13 724 228	**(1 199 772)**	
Transfer revenue						
Government grants & subsidies	59 877 950	-	**59 877 950**	95 522 131	**35 644 181**	47.11
Fines, Penalties and Forfeits	1 607 191	-	**1 607 191**	228 000	**(1 379 191)**	47.12
Total revenue from non-exchange transactions	**76 409 141**	**-**	**76 409 141**	**109 474 359**	**33 065 218**	
Total revenue	**182 283 754**	**-**	**182 283 754**	**216 176 716**	**33 892 962**	
Expenditure						
Personnel	(48 388 076)	-	**(48 388 076)**	(50 410 799)	**(2 022 723)**	47.1
Remuneration of councillors	(5 106 913)	-	**(5 106 913)**	(5 103 822)	**3 091**	
Depreciation and amortisation	(28 000 000)	-	**(28 000 000)**	(19 558 704)	**8 441 296**	47.2
Impairment loss	-	-	**-**	(116 074)	**(116 074)**	47.3
Finance costs	(173 638)	-	**(173 638)**	(1 910 179)	**(1 736 541)**	47.4
Lease rentals on operating lease	-	-	**-**	(572 340)	**(572 340)**	47.22
Debt impairment	(41 857 573)	-	**(41 857 573)**	(36 089 338)	**5 768 235**	47.5
Repairs and maintenance	(6 466 016)	-	**(6 466 016)**	(5 050 859)	**1 415 157**	47.6
Bulk purchases	(45 882 619)	(22 163 193)	**(68 045 812)**	(50 284 084)	**17 761 728**	47.7
Transfers and Subsidies	(7 005 628)	-	**(7 005 628)**	(3 384 303)	**3 621 325**	47.23
General Expenses	(25 609 062)	-	**(25 609 062)**	(34 296 477)	**(8 687 415)**	47.8
Total expenditure	**(208 489 525)**	**(22 163 193)**	**(230 652 718)**	**(206 776 979)**	**23 875 739**	
Operating surplus	**(26 205 771)**	**(22 163 193)**	**(48 368 964)**	**9 399 737**	**57 768 701**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 110 329)	**(2 110 329)**	
Fair value adjustments	-	-	**-**	(935 679)	**(935 679)**	
	-	**-**	**-**	**(3 046 008)**	**(3 046 008)**	
Surplus before taxation	**(26 205 771)**	**(22 163 193)**	**(48 368 964)**	**6 353 729**	**54 722 693**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(26 205 771)**	**(22 163 193)**	**(48 368 964)**	**6 353 729**	**54 722 693**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	473 304	-	**473 304**	29 812	**(443 492)**	47.13
Receivables from non-exchange transactions	1 167 300	904 315	**2 071 615**	1 861 713	**(209 902)**	47.15
Receivables from exchange transactions	22 178 700	17 181 982	**39 360 682**	10 231 577	**(29 129 105)**	47.14
Cash and cash equivalents	37 459 131	(32 424 566)	**5 034 565**	145 446	**(4 889 119)**	47.16
	61 278 435	**(14 338 269)**	**46 940 166**	**12 268 548**	**(34 671 618)**	
Non-Current Assets						
Investment property	3 879 958	45 074 766	**48 954 724**	52 493 011	**3 538 287**	
Property, plant and equipment	323 534 296	55 815 260	**379 349 556**	413 656 056	**34 306 500**	
Intangible assets	350 000	-	**350 000**	405 017	**55 017**	
Financial asset	217 000	-	**217 000**	216 815	**(185)**	
	327 981 254	**100 890 026**	**428 871 280**	**466 770 899**	**37 899 619**	
Total Assets	**389 259 689**	**86 551 757**	**475 811 446**	**479 039 447**	**3 228 001**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	49 366 299	(20 000 000)	**29 366 299**	76 875 210	**47 508 911**	47.17
VAT payable	-	-	**-**	17 602 819	**17 602 819**	47.18
Consumer deposits	1 581 944	-	**1 581 944**	1 457 055	**(124 889)**	
Employee benefit obligation	278 712	-	**278 712**	295 293	**16 581**	
Unspent conditional grants and receipts	-	-	**-**	460 871	**460 871**	47.19
Provisions	16 303 984	3 942 990	**20 246 974**	19 935 130	**(311 844)**	
	67 530 939	**(16 057 010)**	**51 473 929**	**116 626 378**	**65 152 449**	
Non-Current Liabilities						
Employee benefit obligation	9 934 929	1 973 130	**11 908 059**	11 218 706	**(689 353)**	
Provisions	15 704 329	3 118 965	**18 823 294**	31 516 628	**12 693 334**	47.20
	25 639 258	**5 092 095**	**30 731 353**	**42 735 334**	**12 003 981**	
Total Liabilities	**93 170 197**	**(10 964 915)**	**82 205 282**	**159 361 712**	**77 156 430**	
Net Assets	**296 089 492**	**97 516 672**	**393 606 164**	**319 677 735**	**(73 928 429)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	296 089 492	97 516 672	**393 606 164**	319 677 735	**(73 928 429)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	9 700 600	522 340	**10 222 940**	-	**(10 222 940)**	
Sale of goods and services	58 800 232	5 375 285	**64 175 517**	68 550 057	**4 374 540**	
Grants	76 939 450	(1 300 000)	**75 639 450**	77 494 826	**1 855 376**	
Other receipts	12 148 240	1 383 285	**13 531 525**	4 653 846	**(8 877 679)**	47.24
	157 588 522	**5 980 910**	**163 569 432**	**150 698 729**	**(12 870 703)**	
Payments						
Employee costs	(53 494 989)	-	**(53 494 989)**	(54 931 331)	**(1 436 342)**	
Suppliers	(83 568 265)	-	**(83 568 265)**	(92 305 136)	**(8 736 871)**	47.25
Finance costs	(173 638)	-	**(173 638)**	-	**173 638**	47.26
	(137 236 892)	**-**	**(137 236 892)**	**(147 236 467)**	**(9 999 575)**	
Net cash flows from operating activities	**20 351 630**	**5 980 910**	**26 332 540**	**3 462 262**	**(22 870 278)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(17 061 500)	-	**(17 061 500)**	-	**17 061 500**	47..27
Proceeds from sale of property, plant and equipment	-	850 000	**850 000**	-	**(850 000)**	47.28
Net cash flows from investing activities	**(17 061 500)**	**850 000**	**(16 211 500)**	**-**	**16 211 500**	
Net increase/(decrease) in cash and cash equivalents	3 290 130	6 830 910	**10 121 040**	3 462 262	**(6 658 778)**	
Cash and cash equivalents at the beginning of the year	34 168 566	(10 544 000)	**23 624 566**	-	**(23 624 566)**	
Cash and cash equivalents at the end of the year	**37 458 696**	**(3 713 090)**	**33 745 606**	**3 462 262**	**(30 283 344)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	14 924 000	-	14 924 000	-		14 924 000	13 724 228		(1 199 772)	92 %	92 %
Service charges	83 539 467	-	83 539 467	-		83 539 467	85 115 254		1 575 787	102 %	102 %
Investment revenue	17 511 842	4 425 445	21 937 287	-		21 937 287	19 106 101		(2 831 186)	87 %	109 %
Transfers recognised - operational	59 877 950	-	59 877 950	-		59 877 950	56 678 000		(3 199 950)	95 %	95 %
Other own revenue	6 430 495	900 000	7 330 495	-		7 330 495	2 709 002		(4 621 493)	37 %	42 %
Total revenue (excluding capital grants and subsidies)	**182 283 754**	**5 325 445**	**187 609 199**	**-**		**187 609 199**	**177 332 585**		**(10 276 614)**	**95 %**	**97 %**
Employee costs	(48 388 076)	-	(48 388 076)	-	-	(48 388 076)	(50 410 799)	-	(2 022 723)	104 %	104 %
Remuneration of councillors	(5 106 913)	-	(5 106 913)	-	-	(5 106 913)	(5 103 822)	-	3 091	100 %	100 %
Debt impairment	(41 857 573)	-	(41 857 573)			(41 857 573)	(36 089 338)	-	5 768 235	86 %	86 %
Depreciation and asset impairment	(28 000 000)	-	(28 000 000)			(28 000 000)	(18 289 205)	-	9 710 795	65 %	65 %
Finance charges	(173 638)	-	(173 638)	-	-	(173 638)	(1 910 179)	-	(1 736 541)	1 100 %	1 100 %
Materials and bulk purchases	(45 882 619)	(22 163 193)	(68 045 812)	-	-	(68 045 812)	(50 284 084)	-	17 761 728	74 %	110 %
Transfers and grants	(7 005 628)	-	(7 005 628)	-	-	(7 005 628)	(3 384 303)	-	3 621 325	48 %	48 %
Other expenditure	(32 075 078)	-	(32 075 078)	-	-	(32 075 078)	(47 827 735)	-	(15 752 657)	149 %	149 %
Total expenditure	**(208 489 525)**	**(22 163 193)**	**(230 652 718)**	**-**	**-**	**(230 652 718)**	**(213 299 465)**	**-**	**17 353 253**	**92 %**	**102 %**
Surplus/(Deficit)	**(26 205 771)**	**(16 837 748)**	**(43 043 519)**	**-**		**(43 043 519)**	**(35 966 880)**		**7 076 639**	**84 %**	**137 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	21 645 000	21 645 000	-		21 645 000	37 846 869		16 201 869	175 %	DIV/0 %
Surplus (Deficit) after capital grants and subsidies	**(26 205 771)**	**4 807 252**	**(21 398 519)**	**-**		**(21 398 519)**	**1 879 989**		**23 278 508**	**(9)%**	**(7)%**
Surplus/(Deficit) for the year	**(26 205 771)**	**4 807 252**	**(21 398 519)**	**-**		**(21 398 519)**	**1 879 989**		**23 278 508**	**(9)%**	**(7)%**
Capital expenditure and funds sources											
Total capital expenditure	-	21 645 000	21 645 000	-		21 645 000	25 347 466		3 702 466	117 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	-	21 645 000	21 645 000	-		21 645 000	-		(21 645 000)	- %	DIV/0 %

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	20 351 631	5 980 910	26 332 541	-		26 332 541	32 128 158		5 795 617	122 %	158 %
Net cash from (used) investing	(17 061 500)	850 000	(16 211 500)	-		(16 211 500)	(55 607 271)		(39 395 771)	343 %	326 %
Net increase/(decrease) in cash and cash equivalents	**3 290 131**	**6 830 910**	**10 121 041**	**-**		**10 121 041**	**(23 479 113)**		**(33 600 154)**	**(232)%**	**(714)%**
Cash and cash equivalents at the beginning of the year	34 168 566	(10 544 000)	23 624 566	-		23 624 566	23 624 559		(7)	100 %	69 %
Cash and cash equivalents at year end	**37 458 697**	**(3 713 090)**	**33 745 607**	**-**		**33 745 607**	**145 446**		**33 600 161**	**- %**	**- %**

The accounting policies on pages 17 to 44 and the notes on pages 45 to 74 form an integral part of the annual financial statements.

Accounting Policies for the year ended 30 June 2017

1. Presentation of Annual Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for writing down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

Accounting Policies for the year ended 30 June 2017

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Investment property

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

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

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

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

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

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

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

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	0-100 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	3-10 years
Motor vehicles	Straight line	5-12 years
Office equipment	Straight line	3-7 years
IT equipment	Straight line	1-3 years
Computer software	Straight line	1-3 years
Infrastructure	Straight line	0-100 years
Community	Straight line	0-100 years
Other property, plant and equipment	Straight line	5-12 years
Specialised vehicles	Straight line	5-7 years
Tools and loose gear	Straight line	3-5 years

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.3 Property, plant and equipment (continued)

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

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

1.4 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.4 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years
Other intangible assets	Indefinite

1.5 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

Accounting Policies for the year ended 30 June 2017

1.5 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Classification

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

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exchange transactions	Financial asset measured at amortised cost
Other financial deposits	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade an other payables	Financial liability measured at amortised cost

Accounting Policies for the year ended 30 June 2017

1.5 Financial instruments (continued)

Initial recognition

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

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Accounting Policies for the year ended 30 June 2017

1.5 Financial instruments (continued)

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies for the year ended 30 June 2017

1.5 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

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

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

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

Accounting Policies for the year ended 30 June 2017

1.5 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.6 Leases

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.7 Inventories

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

Accounting Policies for the year ended 30 June 2017

1.7 Inventories (continued)

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

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

Accounting Policies for the year ended 30 June 2017

1.8 Construction contracts and receivables (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies for the year ended 30 June 2017

1.9 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Accounting Policies for the year ended 30 June 2017

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies for the year ended 30 June 2017

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.10 Share capital / contributed capital

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

1.11 Employee benefits

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

Post-employment benefits

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

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

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

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.11 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

1.12 Provisions and contingencies

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

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

Accounting Policies for the year ended 30 June 2017

1.12 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.
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1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies for the year ended 30 June 2017

1.13 Commitments (continued)

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Accounting Policies for the year ended 30 June 2017

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies for the year ended 30 June 2017

1.15 Revenue from non-exchange transactions (continued)

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

Recognition

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

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

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Accounting Policies for the year ended 30 June 2017

1.15 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

Accounting Policies for the year ended 30 June 2017

1.22 Irregular expenditure

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

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Cash and cash equivalents

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 that 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 current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

1.25 Segment information

A segment is an activity of an entity:

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

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

Accounting Policies for the year ended 30 June 2017

1.27 Related parties

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

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

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

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

1.28 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.29 Conditional grants and receipts

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

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Bank balances	145 446	23 624 559

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK -Cheque Account-51590840208	113 673	346 830	136 141	116 540	335 602	238 533
FNB BANK -Current account-62054655827	28 363	748 624	2 138 994	28 365	731 335	2 169 626
FNBBANK -Call Account 62033239783	541	22 557 623	22 443 976	541	22 557 623	22 443 976
Total	**142 577**	**23 653 077**	**24 719 111**	**145 446**	**23 624 560**	**24 852 135**

3. Receivables from non-exchange transactions

Rates	32 827 299	33 139 038
Fines	3 777 635	3 588 625
Less: Allowance for impairment	(34 743 221)	(35 338 805)
	1 861 713	**1 388 858**

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

Opening balance	(35 338 805)	(33 825 120)
Provision for impairment	595 584	(1 513 685)
	(34 743 221)	**(35 338 805)**

As of 30 June 2017, the receivable from non-exchange transactions amounted to R 36 604 424 (2016: R 36 727 663) of which R32 827 299 (2016: R33 139 039) and R3 777 635 (2016: R 3 588 625) were for Property rate and fines respectively.

The receivables from non-exchange transactions were provided for impairment amounting to R 34 745 711 (2016: R35 338 805) of which R 31 610 697 (2016: R 32 396 132) were for property rates and R 3 132 524 (2016: R 2 942 673) for fines respectively.

As of 30 June 2017, the net carrying amounts of receivables from non-exchange transactions were R 1 866 554 (2016: R1 388 858) of which R 1 216 602 (2016: R 742 906) were for property rates and R 645 110 (2016: R 645 952) for fines respectively .

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

4. Receivables from exchange transactions

Gross balances		
Electricity	24 974 710	25 039 301
Water	52 599 178	53 001 760
Sewerage	57 808 407	57 314 444
Refuse	31 919 765	31 925 716
Deposit	37 124	31 111
Other	114 059 394	106 614 541
	281 398 578	**273 926 873**
Less: Allowance for impairment		
Electricity	(20 434 015)	(20 721 965)
Water	(51 021 002)	(51 532 758)
Sewerage	(56 988 754)	(56 766 889)
Refuse	(31 507 454)	(31 818 600)
Deposit	(30 081)	(26 244)
Other	(111 185 695)	(100 401 247)
	(271 167 001)	**(261 267 703)**
Net balance		
Electricity	4 540 695	4 317 336
Water	1 578 176	1 469 002
Sewerage	819 653	547 555
Refuse	412 311	107 116
Deposit	7 043	4 867
Other	2 873 699	6 213 294
	10 231 577	**12 659 170**
Electricity		
Current (0 -30 days)	3 762 986	3 488 277
31 - 60 days	289 226	215 816
61 - 90 days	267 688	133 310
91 - 120 days	220 795	479 933
	4 540 695	**4 317 336**
Water		
Current (0 -30 days)	886 771	768 926
31 - 60 days	273 623	134 587
61 - 90 days	238 555	88 761
91 - 120 days	179 227	476 728
	1 578 176	**1 469 002**
Sewerage		
Current (0 -30 days)	259 393	411 989
31 - 60 days	206 438	72 291
61 - 90 days	182 854	39 201
91 - 120 days	170 968	24 074
	819 653	**547 555**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	126 324	57 046
31 - 60 days	101 591	27 635
61 - 90 days	94 457	14 103
91 - 120 days	89 939	8 332
	412 311	**107 116**

Housing rental		
Current (0 -30 days)	6 700	1 592
31 - 60 days	243	2 755
61 - 90 days	100	520
	7 043	**4 867**

Other (specify)		
Current (0 -30 days)	1 629 438	4 564 937
31 - 60 days	424 694	376 989
61 - 90 days	391 295	282 929
91 - 120 days	428 272	988 439
	2 873 699	**6 213 294**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(261 267 703)	(245 034 825)
Contributions to allowance	(9 899 298)	(16 232 878)
	(271 167 001)	**(261 267 703)**

Consumer debtors impaired

As of 30 June 2017, receivables from exchange transactions of 281 398 578 (2016: 273 926 873) were impaired and provided for.

The amount of the provision for debt impairment was 271 167 001 as of 30 June 2017 (2016: 261 267 703).

5. Inventories

Consumable stores	976	251 142
Water	28 836	24 841
	29 812	**275 983**

Inventory pledged as security

There was no inventory pledged as security at year end.

Inventory recognition

Consumable stores at year end are composed of electricity meters and water meters.

Inventory has been valued at cost.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	161 673	(106 730)	54 943	-	-	-
Servitudes	350 074	-	350 074	350 074	-	350 074
Total	**511 747**	**(106 730)**	**405 017**	**350 074**	**-**	**350 074**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	-	1 333	77 979	(24 369)	54 943
Servitudes	350 074	-	-	-	350 074
	350 074	**1 333**	**77 979**	**(24 369)**	**405 017**

Reconciliation of intangible assets - 2016

	Opening balance	Total
Servitudes	350 074	350 074

Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality. These are servitude described as intangible assets that are non-monetary assets without physical substance. These servitudes are aggregated as recorded as in the asset register where control vest with Dipaleseng LM, and are registered on the principle of substance over form, these have been determined for the respective pipe section and conductors, spatially measuring length and appropriate width selected according to the adopted model used to calculate the area of the servitude.

7. Financial assets

Eskom deposit	216 815	216 815

Held as Security

An amount of R 216,815 (2016: R216,815) is held as security by Eskom Holding SOL Limited.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior year.

There were no disposals or gains on the financial assets during the year.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	52 493 011	-	52 493 011	53 745 775	-	53 745 775

Reconciliation of investment property - 2017

	Opening balance	Transfer Out to PPE	Derecognitions	Fair value adjustments	Total
Land and buildings	53 745 775	(196 655)	(120 430)	(935 679)	52 493 011

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Land and buildings	54 302 686	(556 911)	53 745 775

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. However the municpality does not have any property plant and equipment pledged as security for liabilities

Details of valuation

The effective date of the valuations was 30 June 2017. Revaluations were performed by an independent valuer, Zak Van der Merwe, of I@ Consulting. I@ Consulting is not connected to the municipality and has knowledge of the location and category of the investment property being valued.

The valuation was based on open market values for existing use.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	48 203 010	(41 813 267)	6 389 743	61 636 775	(52 709 866)	8 926 909
Infrastructure	755 273 668	(440 168 239)	315 105 429	714 466 788	(424 084 439)	290 382 349
Community	72 795 465	(40 893 626)	31 901 839	73 125 241	(39 809 528)	33 315 713
Other property, plant and equipment	9 778 986	(7 745 717)	2 033 269	16 949 816	(13 524 492)	3 425 324
Capital work in progress	58 225 776	-	58 225 776	43 521 455	-	43 521 455
Total	**944 276 905**	**(530 620 849)**	**413 656 056**	**909 700 075**	**(530 128 325)**	**379 571 750**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions/Transfers	Disposals	Transfers to intangible	Derecognition	Depreciation	Impairment loss	Total
Land and buildings	8 926 909	151 494	-	-	(1 871 495)	(803 386)	(13 779)	6 389 743
Infrastructure	290 382 349	41 314 287	-	-	(149 489)	(16 441 718)	-	315 105 429
Community	33 315 713	45 162	-	-	(2 906)	(1 353 835)	(102 295)	31 901 839
Other property, plant and equipment	3 425 324	214 401	(593 083)	(77 979)	-	(935 394)	-	2 033 269
Capital work in progress	43 521 455	14 704 321	-	-	-	-	-	58 225 776
	379 571 750	**56 429 665**	**(593 083)**	**(77 979)**	**(2 023 890)**	**(19 534 333)**	**(116 074)**	**413 656 056**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions/Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	10 224 078	-	-	(1 297 169)	-	8 926 909
Infrastructure	300 348 978	4 010 013	-	(13 976 642)	-	290 382 349
Community	34 780 018	-	-	(1 464 305)	-	33 315 713
Other property, plant and equipment	4 728 991	371 300	(952 187)	(1 572 718)	849 938	3 425 324
Capital work in progress	27 092 565	16 428 890	-	-	-	43 521 455
	377 174 630	**20 810 203**	**(952 187)**	**(18 310 834)**	**849 938**	**379 571 750**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	13 168 539	30 352 916	43 521 455
Additions/capital expenditure	30 089 209	6 193 095	36 282 304
Transferred to completed items	(21 577 984)	-	(21 577 984)
	21 679 764	**36 546 011**	**58 225 775**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening balance	20 374 346	6 718 218	27 092 564
Additions/capital expenditure	20 053 561	385 342	20 438 903
Transferred to completed items	(4 010 013)	-	(4 010 013)
	36 417 894	**7 103 560**	**43 521 454**

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

See note 32 for details on impairment of assets.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

10. Payables from exchange transactions

Trade payables	69 234 441	63 096 383
Accrued leave pay	6 771 690	6 352 327
Accrued bonus	869 077	825 963
	76 875 208	**70 274 673**

11. Consumer deposits

Deposits held on consumers	1 457 055	1 519 586

12. VAT payable

VAT payable	17 602 819	14 366 633

The Municipality is registered on the cash basis in terms of the Value Added Tax Act.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	13 580 262
Integrated National Electrification Programme	-	6 687 869
Gert Sibande District Municipality Grant	460 871	544 196
	460 871	**20 812 327**

See note 20 for the reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

14. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Prior year correction	Change in discount factor	Total
Provision for Landfill site	17 202 184	-	12 732 309	29 934 493
Provision for Long Service Awards	1 828 703	-	44 951	1 873 654
Other provision DWA and ESKOM	20 318 092	(674 481)	-	19 643 611
	39 348 979	**(674 481)**	**12 777 260**	**51 451 758**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in discount factor	Total
Provision for Landfill site	13 439 249	-	3 762 935	17 202 184
Provision for Long Service Awards	1 606 905	221 798	-	1 828 703
Department of Water Affairs	14 663 458	5 654 634	-	20 318 092
	29 709 612	**5 876 432**	**3 762 935**	**39 348 979**

Non-current liabilities	31 516 628	18 823 293
Current liabilities	19 935 130	20 525 686
	51 451 758	**39 348 979**

Provision for Long Service awards

The IAS19/GRAP25 Statement sets out the recognition, measurement and disclosure requirements in accounting for “defined benefit” plans. The Statement requires further that actuarial gains and losses and past service cost are to be recognised immediately for long-service employee benefits.

The actuarial valuation was performed by ARCH Consulting.

Provision for Landfill site

Grap 19 statement requires the recognition of a present obligation by an entity arising from past events, the settlement of which is expected to result in an outflow from the Municipality of resources embodying economic benefits (paragraph .16 of GRAP 19). The operation of a landfill results is an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The Landfill site valuation was performed by Environmental and Sustainability Solution CC.

Department of Water Affairs

The municipality is not in agreement with the rate per cubic meter charged by the Department of Water Affairs for extraction of raw water.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

15. Employee benefit obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

Post-retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. IAS19/GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.00% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2015. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.5% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.82% which derives from ((1+9.47%)/(1+8.5%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(11 513 999)	(12 186 771)
Non-current liabilities	(11 218 706)	(11 908 059)
Current liabilities	(295 293)	(278 712)
	(11 513 999)	**(12 186 771)**

The fair value of the defined contribution liability includes:

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 082 710	623 339
Interest cost	1 288 801	958 279
Actuarial (gains) losses	(2 513 026)	1 821 269
Curtailment	(486 306)	(367 587)
	(627 821)	**3 035 300**

Assumptions used at the reporting date:

Actual return on plan assets	10 %	9 %

Discount Rate: IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant and as prescribed in GRAP 25, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.81% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2017. This rate does not reflect any adjustment for taxation.

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.07% has been assumed. This is 1.5% in excsess of the expected CPI inflation over the expected term of the liability, namely 6.57%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.61% which derives from ((1+9.81%)/(1+8.07%))-1.

The expected inflation assumption of 6.57% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.57%) and those of fixed interest bonds (9.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.81%-0.50%)/1+2.57)-1

The next contribution increase was assumed to occur with effect from 1 January 2018.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 75% was assumed.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

16. Service charges

Sale of electricity	47 916 141	40 467 043
Sale of water	16 145 666	15 731 202
Sewerage and sanitation charges	15 233 976	14 119 706
Refuse removal	5 819 471	5 363 907
	85 115 254	**75 681 858**

17. Other income

Advertising businesses	734	4 676
Burial fees	104 530	104 289
Certificates of compliance	6 204	13 127
Clearance certificates	221 876	295 516
Escorting vehicles	7 119	22 930
Fines: Library	12 149	9 969
Penalties	23 296	5 135
Photocopies	-	3 900
Reconnection fees	17 690	7 248
Refuse bins	2 210	3 531
Tender documents	32 500	128 290
Tombstone erection	24 645	33 256
Town establishment	147 498	155 684
Trade licence fees	32 017	2 982
Valuation certificate	464	218
	632 932	**790 751**

18. Investment revenue

Interest revenue		
Bank	648 697	1 389 611
Interest charged on financial instruments	18 457 404	20 900 535
	19 106 101	**22 290 146**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

19. Property rates

Rates received

Property rates	13 724 228	13 645 484

Valuations

Residential	897 328 100	897 328 100
Commercial	175 863 070	175 863 070
State	134 933 100	134 933 100
Municipal	91 060 799	91 060 799
Small holdings and farms	1 451 235 000	1 451 235 000
Religious places	20 523 000	20 523 000
	2 770 943 069	**2 770 943 069**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014.

A general rate of 0.007295 (2016: 0.0.006843) is applied to property valuations to determine assessment rates. Rebates of R15 000 (2016:R15 000) are granted to residential and state property owners.

20. Government grants and subsidies

Operating grants		
Equitable Share	54 340 262	52 509 000
Financial Management Grant	1 825 000	1 800 000
Municipal System Improvement Grant	-	930 000
Expanded Public Works Program Grant	1 510 000	1 439 000
	57 675 262	56 678 000
Capital grants		
Conditional conditional grants recognised as revenue	37 846 869	24 746 896
	37 846 869	24 746 896
	95 522 131	**81 424 896**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	13 580 262	19 540 522
Current-year receipts	24 159 000	18 315 000
Conditions met - transferred to revenue	(24 159 000)	(15 880 260)
Withheld	(13 580 262)	(8 395 000)
	-	**13 580 262**

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

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of the community. Other than the unspent and withheld amounts as disclosed, the conditions of the grant were met.

Department of Human Settlements Grant

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Integrated National Electrification Programme

Balance unspent at beginning of year	6 687 869	1 500 000
Current-year receipts	7 000 000	14 200 000
Conditions met - transferred to revenue	(13 687 869)	(9 012 131)
	-	**6 687 869**

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

This grant will be used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were not met and the funds have been disclosed as unspent conditional grants.

Financial Management Grant

Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	**-**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met and no funds have been withheld.

Municipal System Improvement Grant

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

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. The conditions of the grant were met and no funds have been withheld.

Expanded Public Works Program Grant

Current-year receipts	1 510 000	1 439 000
Conditions met - transferred to revenue	(1 510 000)	(1 439 000)
	-	**-**

The Expanded Public Works Program is a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people. The conditions of the grant were met and no funds have been withheld.

Gert Sibande District Municipality Grant

Balance unspent at beginning of year	544 196	544 196
Conditions met - transferred to revenue	(83 325)	-
	460 871	**544 196**

Balance remains liabilities and will be paid back to Gert Sibande District Municipality. (see note 13).

This grant was used to pay employees leave encashment. Other than the unspent amount as disclosed, the conditions of the grant were met.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

20. Government grants and subsidies (continued)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

21. Revenue

Service charges	85 115 254	75 681 858
Rental of facilities and equipment	213 377	212 641
Licences and permits	1 634 693	3 493 909
Other income	632 932	790 751
Interest revenue	19 106 101	22 290 146
Property rates	13 724 228	13 645 484
Government grants & subsidies	95 522 131	81 424 896
Fines, Penalties and Forfeits	228 000	1 521 250
	216 176 716	**199 060 935**

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

Service charges	85 115 254	75 681 858
Rental of facilities and equipment	213 377	212 641
Licences and permits	1 634 693	3 493 909
Other income	632 932	790 751
Interest revenue	19 106 101	22 290 146
	106 702 357	**102 469 305**

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

Taxation revenue		
Property rates	13 724 228	13 645 484
Transfer revenue		
Government grants & subsidies	95 522 131	81 424 896
Fines, Penalties and Forfeits	228 000	1 521 250
	109 474 359	**96 591 630**

22. Other revenue

Other income - (rollup)	632 932	790 751

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

23. Employee related costs

Acting allowances	1 363 163	821 215
Basic salaries and wages	26 623 511	28 654 149
Bonus	2 121 847	1 990 018
Cellphone allowance	695 029	342 698
Group insurance	81 467	464 654
Housing benefits and allowances	431 914	407 575
Industrial council levy	15 959	15 773
Leave pay	598 263	1 267 476
Long-service awards	158 699	87 758
Medical aid - company contributions	2 327 668	2 142 780
Overtime payments	2 875 742	2 051 811
Post-employment benefits - Pension - Defined contribution plan	5 611 626	5 008 809
SDL	358 504	333 392
Standby allowances	207 594	183 256
Transport allowances	1 002 883	1 022 872
UIF	292 008	270 317
	44 765 877	**45 064 553**

Remuneration of municipal manager

Annual Remuneration	2 009 049	1 304 914

During the year, Mr. D.V. Ngcobo was the Municipal Manager, and at reporting date Mr SL Netshivhale was the Acting Municipal manager

Remuneration of chief finance officer

Annual Remuneration	896 773	842 156
Car Allowance	72 000	72 000
	968 773	**914 156**

During the year, Mrs. A.M. Ngema was the Chief Financial Officer.

Remuneration of corporate services director

Annual Remuneration	711 550	747 371
Car Allowance	110 000	120 000
	821 550	**867 371**

During the year, Mr T Goba was the Director: Corporate Services

Remuneration of community services director

Annual Remuneration	853 918	825 630
Car Allowance	42 000	21 000
	895 918	**846 630**

During the year, Mr. I.V. Madonsela was the Community Services Director.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

23. Employee related costs (continued)

Remuneration of technical services director

Annual Remuneration	50 475	847 269

During the year, Mr. B. Gamede was the Acting Technical Services Director.

Remuneration of planning and development director

Annual Remuneration	825 572	772 979
Car Allowance	73 585	73 585
	899 157	**846 564**

During the year, Ms. L.P. Makaya was the Planning and Development Director.

24. Remuneration of councillors

Executive Mayor	732 884	717 798
Speaker	589 011	574 895
Chief Whip	241 056	236 946
Mayoral Committee Members	1 117 800	1 100 913
Councillors	2 423 071	2 328 760
	5 103 822	**4 959 312**

In-kind benefits

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

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

The Council, from July 2016 is paying for full-time bodyguards for the Executive Mayor.

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

25. Depreciation and amortisation

Property, plant and equipment	19 558 704	19 402 057

26. Finance costs

Interest paid	1 910 179	395 393

27. Debt impairment

Contributions from receivables from exchange transactions	9 917 363	16 233 010
Contributions from receivables from non-exchange transactions	(64 754)	1 513 684
Bad debts written off	26 236 729	33 307 568
	36 089 338	**51 054 262**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

28. Bulk purchases

Electricity	49 257 923	45 015 391
Water	1 026 161	1 599 461
	50 284 084	**46 614 852**

Bulk purchase of water is water supplied by Eskom on behalf of the Municipality to Grootvlei (ward 5) residents.

29. Grants and subsidies paid

Other subsidies		
Free basic services	3 384 303	3 163 334

30. General expenses

Advertising	496 481	431 637
Audit fees	2 919 862	3 772 232
Bank charges	832 436	344 523
Cleaning	43 566	30 790
Commission paid	785 600	541 749
Consulting and professional fees	3 588 264	6 233 511
Insurance	1 021 220	1 250 462
IT expenses	526 698	189 698
Licence fees	1 909 891	1 423 057
Medical expenses	55 800	-
Motor vehicle expenses	3 728 299	2 484 423
Protective clothing	345 909	356 225
Security costs	5 438 360	5 407 363
Staff welfare	4 725	4 360
Subscription and membership fees	592 614	586 701
Telephone costs	649 121	953 201
Training	512 058	358 831
Travelling & Subsistences	1 917 175	1 825 372
Restoration costs	-	3 762 935
Water extraction charges	-	5 654 634
Fire extinguishers	-	67 525
Township establishment	6 325	30 863
Chemicals	8 922 073	5 455 389
	34 296 477	**41 165 481**

31. Fair value adjustments

Investment property (Fair value model)	(935 679)	(556 911)

32. Impairment of assets

Impairments		
Property, plant and equipment	116 074	102 249

i) During the year, various items of immovable assets were assessed and impaired by R 116, 074.25 due the damages and some of them were no longer us

33. Auditors' remuneration

Fees	2 919 862	3 772 232

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

34. Cash generated from operations

Surplus (deficit)	6 353 729	(25 574 253)
Adjustments for:		
Depreciation and amortisation	19 558 704	19 402 057
Derecognition of assets	2 110 329	-
Fair value adjustments	935 679	556 911
Impairment deficit	116 074	102 249
Debt impairment	36 089 338	51 054 262
Movements in retirement benefit assets and liabilities	(672 772)	2 813 502
Movements in provisions	12 102 780	9 639 367
Changes in working capital:		
Inventories	246 171	168 229
Receivables from exchange transactions	(33 661 745)	(49 101 054)
Receivables from non-exchange transactions	(472 855)	1 531 665
Payables from exchange transactions	6 600 527	13 492 945
VAT	3 236 186	(3 801 274)
Unspent conditional grants and receipts	(20 351 456)	(772 391)
Consumer deposits	(62 531)	70 411

35. Commitments

Authorised capital and operating expenditure

Already contracted for but not provided for		
• Property, plant and equipment	20 313 356	18 856 023
• Other financial assets	12 429 311	1 058 018
	32 742 667	**19 914 041**

Total capital commitments		
Already contracted for but not provided for	32 742 667	19 914 041

This committed expenditure relates to property and will be financed by available bank facilities, grants, retained surpluses, , existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	261 480	572 340
- in second to fifth year inclusive	124 980	386 460
	386 460	**958 800**

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

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	164 563	164 000

The Municipality has no long term contracts with their lessees. All contracts are on a month to month basis.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand	2017	2016

36. Contingent liabilities

(i) Agri operations is suing the municipality for electricity which is unrelated to the volume of consumption. The amount being claimed is R 1,884,046.

37. Related parties

Related party transactions

Administration fees paid to (received from) related parties		
Department of Community Safety, Security and Liaison	1 634 693	3 493 909
Administration fees paid to (received from) related parties		
Department of Community Safety, Security and Liaison	174 413	2 588 116
Paupers burials		
AVIDATA Trading	4 597	-

Dipaleseng Local Municipality entered into transactions with the Department of Community Safety, Security and Liaison through the licensing operations run throughout the financial year where the municipality earns a commission of 20 % and payment over 80 % to the department

38. Prior period errors

- Property, Plant and Equipment with a carrying value of R 17 222 193 (2015: R18 813 41)8 was restated in the current financial year
- Investment property of R4 791 050 was previously not included in the investment property register.
- Services charges were previously overstated by an amount of R 1 003 620 with vat amount of R66 500
  - -Bulk purchases electriciity of R3 258 077 (2015: 2 418 221.96) was restated in the current year with the vat amount of R 456 130.78 (2015: 338 551.08)
  - - Bulk purchases-water was reversed by R 674 481 in 2015

Statement of financial position

	2 016	2 015
Property, plant and equipment	17 722 193	18 813 418
Investment Property	4 791 051	4 791 051
Trade and other Payables	7 239 893	-
Receivables	(1 070 120)	-
Vat	(955 608)	-
Statement of Financial Performance		
Service Charges	1 003 620	-
Depreciation expense	(1 091 222)	-
Bulk Purchase- electricity	(3 258 077)	(2 418 221)
Bulk Purchase- Water	-	(674 481)

39. Comparative figures

Certain comparative figures have been restated due prior year errors identified .

40. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of grants, which includes the unspent conditional grants disclosed in note 16, and cash and cash equivalents in note 3, and equity as disclosed in the statement of financial position.

40. Risk management (continued)

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

The municipality's strategy is to maintain a debt: equity ratio of between 2 to 1

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Municipality treasury identifies, evaluates financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

Credit risk

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

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

41. Going concern

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

42. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

43. Unauthorised expenditure

Unauthorised expenditure	137 028 530	99 716 963
Incurred during the year	33 415 190	37 311 567
Unauthorised expenditure awaiting authorisation	**170 443 720**	**137 028 530**

44. Fruitless and wasteful expenditure

Opening balance	4 414 389	4 018 996
Current year	1 910 180	395 393
Fruitless and wasteful expenditure awaiting condonement	**6 324 569**	**4 414 389**

The fruitless and wasteful expenditure for R 1 910 180 (2016: R 395 393) relates to interest charged on late payments

45. Irregular expenditure

Opening balance	56 621 279	45 259 544
Add: Irregular Expenditure - current year	37 435 836	11 361 735
Irregular expenditure awaiting condonement	**94 057 115**	**56 621 279**

The amount of 2017: R 37 435 836 (2016: R 11 361 735) relates to irregular expenditure – current year.

The above irregular expenditure is currently being investigated by the Municipal Public Accounts Committee who will provide recommendations for recoverability and any disciplinary steps that will be taken. As at 30 June 2017 they were not yet completed with their processes.

The detailed list of current year irregular expenditure is shown below:

Details of current year irregular expenditure

AL Mphago Kemase	188 067
AONSA	1 063 054
G4S	168 908
Karen Beef	2 475 896
Maximum Profit Recovery	485 602
Mothapo consulting	5 209 464
Ndhlunkulu Engineering	336 969
PD Naidoo (Pty) Ltd	814 494
Shwings	1 554 869
Hlalefa green works	18 900
Matsale project	12 289
Limaliqhame	254 119
Ekhaya Guesthouse	35 250
Baetsi Kgosi	43 236
Jenec Construction	221 004
Makungoo projects	15 623
Tmz general electrical assistance	10 102
University of Johannesburg	85 040
Solum Civils	3 356 160
Mbombela Holiday Resort	5 820
Sibeko Platinum	14 600
Mabotwane Security	3 544 021
Mupen projects	5 871 700
Nomdric electrical and projects	6 815 788
Vumakonke transport and projects	3 335 100
Bona Fide Engineering and Projects	1 024 148
KSB pumps	197 637
Babcock equipment	120 222
McCcarthy	157 754
	37 435 836

45. Irregular expenditure (continued)

Details of current year supply chain deviations

600 SA	Urgent Service of a Arsh Truck and it was impossible to follow the official procurement processes	72 234
Alta Swanepoel and Associates CC	Only two Suppliers responded	2 044
Babcock Equipment	Impossible to follow SCM processes	85 095
Bell Equipment and Sales	Service where the grader was bought	37 005
	Service where the grader was bought	5 436
BigBoy Ccharles General Construction	Emergency service exchange of 6.650kva pole mount transformer	72 000
	Emergency Repair of Protection Relays MCGG and MICOM for Munic Substation	167 800
	Emergency service exchange of 6.650kva pole mount transformer	195 636
	Emergency Repair :IMS2 softstarter for 200kw motor and control panel at fortuna main resevoir faulty(BLOWN OFF)	191 000
	Emergency - blown cable	198 000
	Emergency - blown cable	95 800
Bombai Electrical	Urgent repair of blown cable at balfour town	26 750
	Urgent repair of blown cable from substation to grootvlei town.	13 980
	Urgent repair of blown cable at Greylingatad	30 200
Bona Fide Engineering and Projects	Emergency Repair,4 core swac pvc cable Replaced and it was impossible to follow scm procedure	370 000
	Emergency Repair,cable Replaced and it was impossible to follow scm procedure	321 360
	Upgrading of power and installation of new network	332 788
Cascade Manufacturers & Distribution	Emergency Request for materials Fixing water pipe in Eskom H and P side.	10 460
Elster Kent Metering PTY LTD	Sole Supplier for Elster Metering	22 152
Graceland Hotel and Country	The bookings were made on request of this specific hotel	22 400
Heraut Publishers	Free Local News Paper to community accessible in Dipaleseng Local Municipality	3 108
	Free Local News Paper to community accessible in Dipaleseng Local Municipality	8 880
	Free Local News Paper to community accessible in Dipaleseng Local Municipality	3 078
	Free Local News Paper to community accessible in Dipaleseng Local Municipality	5 500
KSB Pumps and Valves pty ltd	Urgent Matter and it was impractical and impossible to follow the official procurement processes	131 758
Lethabo Mabotsa Pty Ltd	Urgent sewer plant repair	225 000
Mavutha Constractors	urgent repair in balfour cable from the substation into the feeder lines to balfour town.	88 700
	Urgent repair in Greylingstad cable.	299 500
McCarthy Commercial Vehicles	Car service	15 817
	Car service	27 698
	Car service	15 817
Munsoft Pty Ltd	Municipality has Contract with Munsoft	2 343
Mupem Projects	Replacement of breakers	187 900
	Emergency Repair	398 400
	Emergency Repair	556 000
	Emergency Repair	177 900
	Emergency Repair	148 000
	Emergency Repair	198 500

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

45. Irregular expenditure (continued)

	Emergency Repair	702 000
	Emergency Repair	1 201 000
	Emergency Repair	334 000
	Emergency Repair	1 771 100
	Emergency Repair	196 900
Nerm Application and Testing	Emergency Repair	6 115
	Emergency Repair	12 665
Netsec	it was urgent request and it was impractical and impossible to follow the official procurement processes	13 500
Nomdric Electrical and Projects	Emergency Repair	141 000
	Emergency Repair	199 455
	Emergency Repair	196 000
	Emergency Repair	142 900
	Emergency Repair	123 900
	Emergency Repair	353 350
	Emergency Repair	198 000
	Emergency Repair	271 000
	Emergency Repair	197 900
	Emergency Repair	194 700
	Emergency Repair	307 000
	Emergency Repair	246 792
	Emergency Repair	339 600
	Emergency Repair	321 624
	Emergency Repair	178 000
	Emergency Repair	553 000
	Emergency Repair	381 000
	Emergency Repair	394 600
	Emergency Repair	307 600
	Emergency Repair	1 743 000
	Emergency Repair	412 993
	Emergency Repair	198 800
	Emergency Repair	191 771
	Emergency Repair	1 496 000
	Emergency Repair	391 000
P Lindeque	Only Doctor responded such services locally	45 600
	Only Doctor responded such services locally	4 050
Pharmatrend Projects cc	Urgent request for water chemicals	167 360
Prompt Services	Urgent request for materials for Emergency Repair	4 950
	Urgent request for materials for Emergency Repair	4 010
	Urgent request for materials for Emergency Repair	7 540
	Urgent request for materials for Emergency Repair	3 500
	Urgent request for materials for Emergency Repair	3 680
	Urgent request for materials for Emergency Repair	2 900
	Urgent request for materials for Emergency Repair	14 940
	Urgent request for materials for Emergency Repair	3 300
	Urgent request for materials for Emergency Repair	10 700
South African Unlimited	Emergency Repair	181 000
The capital empire	Extension of accomodation for Councillors	9 518
The Merchant Lake Umuzi	Request received for one hotel	15 298
Truvelo	Urgent request for materials for Emergency Repair	3 126
Victorian Guesthouse	Request received late, impossible to follow SCM process	4 300
	Request received late, impossible to follow SCM process	11 600
	Request received late, impossible to follow SCM process	11 600

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

45. Irregular expenditure (continued)

	Request received late, impossible to follow SCM process	6 000
	Request received late, impossible to follow SCM process	6 300
	Request received late, impossible to follow SCM process	3 960
	Request received late, impossible to follow SCM process	4 500
Vumakonke Transport & projects	Cleaning septic tanks and it was impossible to follow the procurement procedures	239 800
	Cleaning septic tanks and it was impossible to follow the procurement procedures	187 000
	Cleaning septic tanks and it was impossible to follow the procurement procedures	183 700
	Cleaning septic tanks and it was impossible to follow the procurement procedures	250 800
	Cleaning septic tanks and it was impossible to follow the procurement procedures	221 100
	Cleaning septic tanks and it was impossible to follow the procurement procedures	333 300
	Cleaning septic tanks and it was impossible to follow the procurement procedures	744 700
	Cleaning septic tanks and it was impossible to follow the procurement procedures	302 500
	Cleaning septic tanks and it was impossible to follow the procurement procedures	346 500
	Cleaning septic tanks and it was impossible to follow the procurement procedures	399 300
	Cleaning septic tanks and it was impossible to follow the procurement procedures	178 200
	Cleaning septic tanks and it was impossible to follow the procurement procedures	183 700
	Cleaning septic tanks and it was impossible to follow the procurement procedures	480 600
	Cleaning septic tanks and it was impossible to follow the procurement procedures	213 400
Workshop electronics	It was impossible to follow the scm processes.	123 900
Zest Weg Group Electrical	Emergency case	91 000
Zippel Filing and Storage system	Same company that installed the storage system.	3 894
		23 497 430

The above supply chain deviations have been reported to council.

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

46. Additional disclosure in terms of Municipal Finance Management Act

Material distribution losses

Electrcity	12 534 655	9 561 270
Water	4 812 713	5 249 054
	17 347 368	**14 810 324**

Electricity distribution losses for the current year were **22.3**% **amounting to R 12 389 571 (2016: 21.24% amounting to R6 278 902)**. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current year were **66%, amounting to R 4 812 713 (2016: 65% amounting to R 5 249 054)**. These water distribution losses cannot be accounted for mainly due to theft, faultly pipes, spillages etc. This problem is currently being addressed by installing additional meters and a data cleansing process will be initiated to address the losses.

See note 28 for the total electricity bulk purchases for the year. For water, the Municipality purifies its own water except for the water supplied by Eskom to Grootvlei (ward 5) residents.

Contributions to organised local government

Current year subscription / fee	531 080	510 820
Amount paid - current year	(531 080)	(510 820)
	-	**-**

Audit fees

Opening balance	464 847	8 467
Current year subscription / fee	2 919 862	3 772 232
Amount paid - current year	(3 384 709)	(3 315 852)
	-	**464 847**

Pension and Medical Aid Deductions

Current year subscription / fee	7 939 294	6 817 843
Amount paid - current year	(6 848 834)	(6 817 843)
	1 090 460	**-**

PAYE and UIF

Opening balance	624 530	1 554 870
Current year subscription / fee	7 141 616	5 665 513
Amount paid - current year	(7 222 415)	(6 595 853)
	543 731	**624 530**

VAT

VAT payable	17 602 819	14 366 633

VAT output payable is shown in note 12.

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

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

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

Councillors' arrear consumer accounts

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

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr MF Dlamini	703	162	865
Cllr PM & TE Mokoena	5 394	16 767	22 161
Cllr AK Nyamade	7 693	90 531	98 224
Cllr Z & H Nkosi	2 490	1 586	4 076
Cllr SME Nhlapho	478	-	478
	16 758	**109 046**	**125 804**

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr MD Khanye	433	-	433
Cllr M Tsotetsi	121	144	265
Cllr DG Zwane	1 624	8 085	9 709
	2 178	**8 229**	**10 407**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2017	Highest outstanding amount	Aging (in days)
Councillor C	-	8 085
Councillor D	-	144
	-	**8 229**

30 June 2016	Highest outstanding amount	Aging (in days)
Councillor A	-	12 291
Councillor C	-	940
	-	**13 231**

Notes to the Annual Financial Statements for the year ended 30 June 2017

Figures in Rand

47. Budget differences

Material differences between budget and actual amounts

Variance of 10% or more is considered to be material.
The following were material differences between the final budget and the actual amounts.

47.1 Employee related exceeds due to increase in long service awards and leave provisions
47.2 Depreciation less due to renovation of the office building
47.3 Impairment loss less due to de-recognition of Property plant and equipment
47.4 Finance exceeds due to late payment Accounts
47.5 Debt impairment less due bad debt written off
47.6 Repairs and maintenance exceeds due to high spending on aging infrastructure
47.7 Bulk Purchases less due to budget overprovision
47.8 .General expenses exceeds budget due to high inflation
47.9 Licence and permits less due to temporary closure of Licence services
47.10 Interest less due write-off of debtors as well minimal interest received on investment
47.11 Grants and subsidies only budgeted for equitable share
47.12 Licence and permits less due to temporary closure of Licence services
47.13 Decerease in Inventory due to installation of meters
47.14 Less Receivables from exchange is due to debt write off that was not budgted for
47.15 Less receivable from non-exchange is due to closure if lincening department
47.16 Less Cash and cash equivalent due low payment rate
47.17 More payable from excgange transaction due to increase in creditors and low payment rate
47.18 Vat payable differences not budget for
47.19 More unspent conditional grants- not budgted for
47.20 More provisions due to increase in the landfill site
47.21 Less other income due to overprovision
47.22 Lease rentals are budgeted under General expenditure
47.23 Less transfers and subsidies due to less registration of indigents
47.24 Less Other receipts due to over budgeting
47.25 More suppliers due to increase in repairs and maintenance
47.26 More finance costs - not allowed to budget for finance costs
47.27 More purchase of plant and equipment due increase in WIP
47.28 More proceeds on sale - not budget for