



**NAMA KHOI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

GENERAL INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Nama Khoi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

LEGAL FORM OF ENTITY

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act (Act no 117 of 1998)

MUNICIPAL MANAGER

SA Titus

CHIEF FINANCE OFFICER (CFO)

WJ Bowers (Acting)

REGISTERED OFFICE

Private Bag X17
Springbok
8240

AUDITORS

Office of the Auditor-General (Northern Cape)
Private Bag X5013
Kimberley
8300

BANKERS

ABSA

ATTORNEYS

Neville Cloete Attorneys
Webber Wentzel
Shreuders Attorneys
Abrahams & Gross
Wessel & Smith
Towell & Groenewaldt
Bouwer & Kie

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

LF Faber (Chairman)
WS Jordaan
S Kleinbooi (Appointed 15/08/2016)
JD Joseph (Appointed 15/08/2016)
JF van Wyk (Resigned 10/08/2016)
FX Cupido (Resigned 10/08/2016)

MEMBERS OF THE MUNICIPALITY

Ward

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Proportional
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Proportional
Proportional

Councillor

JE van der Heever (Appointed 15/08/2016)
HS Apollis (Resigned 10/08/2016)
DA Markus (Appointed 15/08/2016)
EF Maritz (Resigned 10/08/2016)
CE Gertze (Appointed 15/08/2016)
FX Cupido (Resigned 10/08/2016)
R Kritzinger
S Kleinbooi
CG Coetzee (Appointed 15/08/2016)
G Cloete (Resigned 10/08/2016)
YL van Zyl (Appointed 15/08/2016)
SD Hoskin (Resigned 10/08/2016)
P van Reenen (Appointed 15/08/2016)
WJ Goedeman (Resigned 10/08/2016)
GY Pieters
LF Faber (Appointed 15/08/2016)
JD Joseph (Appointed 15/08/2016)
SJC van Wyk
ZP de Jongh (Appointed 15/08/2016)
LL Vries (Appointed 15/08/2016)
SH Ruiters (Appointed 15/08/2016)
WS Jordaan (Appointed 15/08/2016)
GJ Coetzee
SW Lubbe (Resigned 10/08/2016)
KS Ventura (Resigned 10/08/2016)
M Diedericks (Resigned 10/08/2016)

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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ABBREVIATIONS

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)

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 5 to 84 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

Municipal Manager

31 August 2017

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	9	45 008 696	44 959 992
Receivables from non-exchange transactions	10	4 395 262	5 390 854
VAT receivable	12	11 605 393	12 299 473
Receivables from exchange transactions	11	7 386 368	8 166 142
Cash and cash equivalents	13	11 294 862	18 992 442
		79 690 581	89 808 903
Non-Current Assets			
Investment property	2	123 444 704	123 444 704
Property, plant and equipment	3	656 226 047	689 619 521
Intangible assets	6	92 518	121 041
Heritage assets	5	1 038 799	1 038 799
Operating lease asset	7	73 643	89 968
Long-term Receivables	8	-	-
		780 875 711	814 314 033
Total Assets		860 566 292	904 122 936
Liabilities			
Current Liabilities			
Other financial liabilities	17	-	404 519
Finance lease obligation	15	250 811	216 716
Payables from exchange transactions	18	206 173 397	181 663 990
Consumer deposits	20	2 988 620	2 801 390
Employee benefit obligation	14	1 557 705	948 299
Unspent conditional grants and receipts	16	1 889 532	2 439 100
Provisions	19	9 169 630	1 031 714
		222 029 695	189 505 728
Non-Current Liabilities			
Finance lease obligation	15	17 238	273 804
Employee benefit obligation	14	21 902 927	19 694 883
Provisions	19	16 558 256	23 388 699
		38 478 421	43 357 386
Total Liabilities		260 508 116	232 863 114
Net Assets		600 058 176	671 259 822
Accumulated surplus		600 058 176	671 259 822

* See Note

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	22	117 289 694	113 539 694
Agency services		1 325 906	1 307 101
Licences and permits		1 365 278	1 260 853
Rental income		1 808 660	1 812 422
Other income		2 993 342	2 859 917
Interest received	24	7 719 988	7 107 843
Total revenue from exchange transactions		132 502 868	127 887 830
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	42 273 194	34 187 763
Transfer revenue			
Government grants & subsidies	25	56 467 167	64 897 911
Fines		425 104	446 427
Total revenue from non-exchange transactions		99 165 465	99 532 101
Total revenue	21	231 668 333	227 419 931
Expenditure			
Employee related costs	26	(81 670 073)	(77 438 812)
Remuneration of councillors	27	(5 164 653)	(5 057 830)
Depreciation and amortisation	28	(41 149 795)	(42 777 035)
Impairment loss/ Reversal of impairments		(843 305)	-
Finance costs	29	(3 518 535)	(2 946 140)
Debt Impairment	30	(27 553 040)	(9 377 208)
Bulk purchases	31	(91 638 427)	(84 145 507)
Contracted services	32	(9 585 485)	(8 765 666)
Finance cost - Non Current Liabilities		(1 551 817)	(1 382 287)
General Expenses	33	(31 441 986)	(26 356 311)
Total expenditure		(294 117 116)	(258 246 796)
Operating deficit		(62 448 783)	(30 826 865)
(Loss) gain on disposal of assets and liabilities		(8 485 406)	122 952
Actuarial gains / (loss)	14	(259 101)	1 361 058
Inventories losses/write-downs		(8 356)	(201 133)
		(8 752 863)	1 282 877
Deficit for the year		(71 201 646)	(29 543 988)

* See Note

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	448 294 809	448 294 809
Changes in net assets		
Prior Period Errors before 1 July 2015	252 509 001	252 509 001
Loss for the year - previously disclosed	(26 825 091)	(26 825 091)
Effect of Corrections of Error - 2015/2016	(2 718 897)	(2 718 897)
Restated* Balance at 01 July 2016	671 259 822	671 259 822
Changes in net assets		
Loss for the year	(71 201 646)	(71 201 646)
Balance at 30 June 2017	600 058 176	600 058 176

* See Note

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

CASH FLOW STATEMENT

	2017	2016
Note(s)	R	Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxation	36 417 951	33 166 747
Sale of goods and services	105 142 364	108 951 807
Grants	55 917 599	42 478 561
Interest income	1 107 091	1 784 635
Other receipts	8 995 091	7 119 361
	207 580 096	193 501 111
Payments		
Employee costs	(84 276 377)	(77 587 782)
Suppliers	(108 509 095)	(102 718 736)
Finance costs	(3 518 535)	(2 946 140)
	(196 304 007)	(183 252 658)
Net cash flows from operating activities	11 276 089	10 248 453
	34	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18 533 909)	(21 115 635)
Purchase of other intangible assets	-	(11 167)
Net cash flows from investing activities	(18 533 909)	(21 126 802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans repaid	(626 990)	(1 144 316)
Consumer deposits	187 230	406 743
Loans raised	-	590 905
Net cash flows from financing activities	(439 760)	(146 668)
Net increase/(decrease) in cash and cash equivalents	(7 697 580)	(11 025 017)
Cash and cash equivalents at the beginning of the year	18 992 442	30 017 459
Cash and cash equivalents at the end of the year	11 294 862	18 992 442
	13	

* See Note

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
30 JUNE 2017

Notes	Original Budget R	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) R	Final Adjustment Budget R	Shifting of Funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. Council approved by- law) R	Final Budget R	Actual Outcome R	Actual Outcome as % of Final Budget %
ASSETS								
Current Assets								
Cash	3,228,778	-	3,228,778	-	(1,699,005)	1,529,773	11,294,862	638.34%
Call Investment Deposits	21,655	-	21,655	-	-	21,655	-	-100.00%
Consumer Debtors	17,566,791	-	17,566,791	-	-	17,566,791	7,386,368	-57.95%
Other Debtors	8,785,135	-	8,785,135	-	-	8,785,135	16,000,655	82.13%
Current Portion of long-term receivables	-	-	-	-	-	-	-	-
Inventory	1,267,929	-	1,267,929	-	-	1,267,929	45,008,696	3449.78%
Total Current Assets	48 30,870,288	-	30,870,288	-	(1,699,005)	29,171,283	79,690,581	173.18%
Non-Current Assets								
Long-term Receivables	652,573	-	652,573	-	-	652,573	-	-100.00%
Investments	-	-	-	-	-	-	-	-
Investment Property	243,152	-	243,152	-	-	243,152	123,444,704	50668.53%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	602,242,551	-	602,242,551	-	(16,455,730)	585,786,821	656,226,047	12.02%
Agricultural Assets	-	-	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-	1,038,799	-
Intangible Assets	114,554	-	114,554	-	-	114,554	92,518	-19.24%
Other Non-Current Assets	-	-	-	-	-	-	73,643	100.00%
Total Non-Current Assets	48 603,252,830	-	603,252,830	-	(16,455,730)	586,797,100	780,875,711	33.07%
TOTAL ASSETS	634,123,118	-	634,123,118	-	(18,154,735)	615,968,383	860,566,292	39.71%
LIABILITIES								
Current Liabilities								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	404,815	-	404,815	-	-	404,815	250,811	-38.04%
Consumer Deposits	2,769,743	-	2,769,743	-	-	2,769,743	2,988,620	7.90%
Trade and Other Payables	154,347,549	-	154,347,549	-	-	154,347,549	208,062,929	34.80%
Provisions	1,203,952	-	1,203,952	-	-	1,203,952	10,727,335	791.01%
Total Current Liabilities	48 158,726,059	-	158,726,059	-	-	158,726,059	222,029,695	39.88%
Non-Current Liabilities								
Borrowing	-	-	-	-	-	-	17,238	100.00%
Provisions	39,696,292	-	39,696,292	-	-	39,696,292	38,461,183	-3.11%
Total Non-Current Liabilities	48 39,696,292	-	39,696,292	-	-	39,696,292	38,478,421	-3.07%
TOTAL LIABILITIES	198,422,351	-	198,422,351	-	-	198,422,351	260,508,116	31.29%
NET ASSETS								
Accumulated Surplus/(Deficit)	435,700,767	-	435,700,767	-	(18,154,735)	417,546,032	600,058,176	43.71%
Reserves	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	48 435,700,767	-	435,700,767	-	(18,154,735)	417,546,032	600,058,176	43.71%

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
30 JUNE 2017

Notes	Budget					Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	
	Original Budget	Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)				
	R	R	R	R	R	R	R	%	
REVENUE									
Property Rates	38,321,480	3,141,411	41,462,891	-	-	41,462,891	42,273,194	1.95%	
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	
Service Charges - Electricity Revenue	70,710,669	6,176,035	76,886,704	-	-	76,886,704	70,766,877	-7.96%	
Service Charges - Water Revenue	31,884,563	(1,408,769)	30,475,794	-	-	30,475,794	29,907,135	-1.87%	
Service Charges - Sanitation Revenue	13,983,290	(110,150)	13,873,140	-	-	13,873,140	13,757,891	-0.83%	
Service Charges - Refuse Revenue	16,133,191	1,312,705	17,445,896	-	-	17,445,896	17,461,661	0.09%	
Service Charges - Other Revenue	868,033	(23,577)	844,456	-	216	844,672	-	-100.00%	
Rental of Facilities and Equipment	2,088,306	(494,148)	1,594,158	-	(2)	1,594,156	1,808,660	13.46%	
Interest Earned - External Investments	1,923,125	(643,769)	1,279,356	-	-	1,279,356	1,107,091	-13.46%	
Interest Earned - Outstanding Debtors	5,706,963	133,458	5,840,421	-	-	5,840,421	6,612,897	13.23%	
Dividends Received	-	-	-	-	-	-	-	-	
Fines	179,450	(88,370)	91,080	-	(35,810)	55,270	425,104	669.14%	
Licences and Permits	1,331,102	76,214	1,407,316	-	2	1,407,318	1,365,278	-2.99%	
Agency Services	1,330,858	(298,962)	1,031,896	-	-	1,031,896	1,325,906	28.49%	
Transfers Recognised - Operational	42,827,000	-	42,827,000	-	(1,699,000)	41,128,000	45,140,167	9.76%	
Other Revenue	8,453,185	2,710,573	11,163,758	-	35,590	11,199,348	2,993,342	-73.27%	
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	48	235,741,215	10,482,651	246,223,866	-	(1,699,004)	244,524,862	234,945,203	-3.92%
EXPENDITURE									
Employee Related Costs	72,260,113	5,840,505	78,100,619	-	90,717	78,191,336	81,670,073	4.45%	
Remuneration of Councillors	5,367,517	-	5,367,517	-	2	5,367,519	5,164,653	-3.78%	
Debt Impairment	24,212,153	-	24,212,153	-	-	24,212,153	27,553,040	13.80%	
Depreciation and Asset Impairment	40,915,609	-	40,915,609	-	(2)	40,915,607	41,993,100	2.63%	
Finance Charges	10,000	-	10,000	-	-	10,000	5,070,352	50603.52%	
Bulk Purchases	95,602,830	(25,975)	95,576,855	-	-	95,576,855	91,638,427	-4.12%	
Other Materials	10,390,595	2,333,096	12,723,691	-	(384,273)	12,339,418	-	-100.00%	
Contracted Services	383,890	504,110	888,000	-	-	888,000	9,585,485	979.45%	
Other Expenditure	50,133,543	(1,553,371)	48,580,171	-	293,557	48,873,728	46,313,313	-5.24%	
Loss on Disposal of PPE	-	-	-	-	-	-	8,485,406	8,485,406	
Total Expenditure	48	299,276,250	7,098,364	306,374,615	-	1	306,374,616	317,473,849	3.62%
Surplus/(Deficit)	(63,535,035)	3,384,287	(60,150,749)	-	(1,699,005)	(61,849,754)	(82,528,646)	33.43%	
Transfers Recognised - Capital	14,160,000	3,994,730	18,154,730	-	(16,455,730)	1,699,000	11,327,000	566.69%	
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after Capital Transfers & Contributions	(49,375,035)	7,379,017	(41,996,019)	-	(18,154,735)	(60,150,754)	(71,201,646)	18.37%	
Taxation	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after Taxation	(49,375,035)	7,379,017	(41,996,019)	-	(18,154,735)	(60,150,754)	(71,201,646)	18.37%	
Attributable to Minorities	-	-	-	-	-	-	-	-	
Surplus/(Deficit) Attributable to Municipality	(49,375,035)	7,379,017	(41,996,019)	-	(18,154,735)	(60,150,754)	(71,201,646)	18.37%	
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year	(49,375,035)	7,379,017	(41,996,019)	-	(18,154,735)	(60,150,754)	(71,201,646)	18.37%	

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
30 JUNE 2017

Notes	Original Budget R	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) R	Final Adjustment Budget R	Shifting of Funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. Council approved by- law) R	Final Budget R	Actual Outcome R	Actual Outcome as % of Final Budget %	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Taxation	36,405,406	2,984,340	39,389,746	-	-	39,389,746	36,417,951	-	
Service Charges	126,900,758	5,648,932	132,549,691	-	-	132,549,691	105,142,364	-	
Other Revenue	12,713,756	-	14,523,798	-	-	14,523,798	8,995,091	-	
Government - Operating	42,827,000	-	42,827,000	-	-	42,827,000	43,077,221	-	
Government - Capital	14,160,000	-	14,660,000	-	-	14,660,000	12,840,378	-	
Interest	7,248,583	(484,795)	6,763,788	-	-	6,763,788	1,107,091	-	
Dividends	-	-	-	-	-	-	-	-	
Payments									
Suppliers and Employees	(231,946,198)	(7,098,367)	(239,044,565)	-	-	(239,044,565)	(192,785,472)	-	
Finance costs	(10,000)	-	(10,000)	-	-	(10,000)	(3,518,535)	-	
Transfers and Grants	-	-	-	-	-	-	-	-	
Net Cash from/(used) Operating Activities	48	8,299,306	1,050,110	11,659,458	-	-	11,659,458	11,276,089	-3.29%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-	
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-	
Payments									
Capital Assets	(14,160,000)	(3,994,730)	(18,154,730)	-	-	(18,154,730)	(18,533,909)	-	
Net Cash from/(used) Investing Activities	48	(14,160,000)	(3,994,730)	(18,154,730)	-	-	(18,154,730)	(18,533,909)	2.09%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	
Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-	187,230	-	
Payments									
Repayment of Borrowing	(404,815)	-	(404,815)	-	-	(404,815)	(626,990)	-	
Net Cash from/(used) Financing Activities	48	(404,815)	(404,815)	-	-	(404,815)	(439,760)	8.63%	
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	9,494,287	67,054	9,561,341	-	-	9,561,341	18,992,442	-	
Cash and Cash Equivalents at the year end:	3,228,778	(2,877,566)	2,661,253	-	-	2,661,253	11,294,862	324.42%	

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

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

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2016/17 financial year.

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

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public. This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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

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

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.15. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

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

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

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance. Defined benefit plans are post-employment plans other than defined contribution plans.

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

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(d) Staff Leave

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

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

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Other Short-term Employee Benefits

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises 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.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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 assets acquired is initially measure 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.

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

1.16.2. Subsequent Measurement – Cost Model

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

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

1.16.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Sewerage	15-60	General Vehicles	5-10
Airport	5-60	Specialised Vehicles	7-10
Electricity	10-60	Plant & Equipment	2-15
Water	15-60	Computers	5-10
Roads, pavements and bridges	10-80	Furniture and other office equipment	5-7
Solid Waste	20-30	Other assets	2-25
Communication	20-60		
<u>Community</u>		<u>Buildings</u>	
Sport- and Recreation Facilities	10-60	Buildings - Improvements	10-60
Community Facilities	15-60	<u>Finance lease assets</u>	
		Office equipment	2-5
		Other assets	3

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

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

1.16.4. De-recognition

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

1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

1.17.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software- and licenses	5

1.17.4. De-recognition

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

1.17.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2. Subsequent Measurement – Cost Model

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

1.18.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

1.18.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

NAMA KHOI MUNICIPALITY
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The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.19. HERITAGE ASSETS

1.19.1. Initial Recognition

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

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

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3. Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

1.19.4. Depreciation and Impairment

Heritage assets are not depreciated.

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

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.19.5. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.6. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2015.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset;
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the

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previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2. Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the

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technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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An impairment loss is recognised immediately in surplus or deficit.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

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1.22.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress, land and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by Telemetry readings and the calculated volume in the distribution network. Where telemetry reading is not available, water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1. Initial Recognition

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

1.23.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

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1.23.2.1. *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3. *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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1.23.2.4. *Non-Current Investments*

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23.3. *De-recognition*

1.23.3.1. *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2. *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original

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liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4. Offsetting of Financial Instruments

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

1.24. STATUTORY RECEIVABLES

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

1.24.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.24.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

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

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

1.24.3. Derecognition

The Municipality derecognises a statutory receivable when:

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- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.25. REVENUE

1.25.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

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1.25.2. Revenue from Exchange Transactions

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

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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

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

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

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- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.27. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:

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

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional

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

independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.28. UNAUTHORISED EXPENDITURE

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

1.29. IRREGULAR EXPENDITURE

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

1.30. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.31. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.32. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Post-retirement medical obligations, Long service awards

The cost of post-retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

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

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

Intangible Assets

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

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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

Provisions and Contingent Liabilities

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

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

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

- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.33. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

1.34. CAPITAL COMMITMENTS

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

1.35. EVENTS AFTER REPORTING DATE

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

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017			2016		
	Cost	Depreciation and Impairment	Carrying value	Cost	Depreciation and Impairment	Carrying value
Investment property	123 444 704	-	123 444 704	123 444 704	-	123 444 704

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	123 444 704	123 444 704

Reconciliation of investment property - 2016

	Opening balance	Prior period errors	Total
Investment property	24 941 275	98 503 429	123 444 704

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.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

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

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

The municipality has no Investment Property which is in the process of being constructed or developed.

The municipality has no Investment Property that is taking a significantly longer period of time to complete than expected.

The municipality has no Investment Property where construction or development has been halted.

Operating expenditure incurred on revenue generating properties:

Repairs and maintenance	<u>1 114 280</u>
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NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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3. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Depreciation and Impairment	Carrying value	Cost	Depreciation and Impairment	Carrying value
Land	19 974 974	-	19 974 974	19 974 974	-	19 974 974
Buildings	28 228 528	(8 302 911)	19 925 617	27 761 237	(7 426 176)	20 335 061
Infrastructure	1 111 573 089	(523 663 247)	587 909 842	1 117 606 675	(502 491 067)	615 115 608
Community	58 427 392	(33 924 025)	24 503 367	62 311 781	(34 528 601)	27 783 180
Other assets	14 057 374	(10 145 127)	3 912 247	18 480 158	(12 069 460)	6 410 698
Total	1 232 261 357	(576 035 310)	656 226 047	1 246 134 825	(556 515 304)	689 619 521

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions/ Under Construction / Transfers received	Disposals	Depreciation and Impairment	Total
Land	19 974 974	-	-	-	19 974 974
Buildings	20 335 061	744 415	(107 820)	(1 046 039)	19 925 617
Infrastructure	615 115 608	16 169 651	(6 245 834)	(37 129 583)	587 909 842
Community	27 783 180	-	(530 060)	(2 749 753)	24 503 367
Other assets	6 410 698	561 650	(1 600 744)	(1 459 357)	3 912 247
	689 619 521	17 475 716	(8 484 458)	(42 384 732)	656 226 047

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions/ Under Construction / Transfers received	Disposals	Prior period error	Depreciation and Impairment	Total
Land	18 717 409	-	-	1 257 565	-	19 974 974
Buildings	26 604 596	-	-	(5 409 027)	(860 508)	20 335 061
Infrastructure	466 735 664	20 814 759	(519 375)	165 068 420	(36 983 860)	615 115 608
Community	86 911 681	2 156 014	(254 901)	(58 180 970)	(2 848 644)	27 783 180
Other assets	4 100 034	1 084 359	(1 753 572)	5 017 007	(2 037 130)	6 410 698
	603 069 384	24 055 132	(2 527 848)	107 752 995	(42 730 142)	689 619 521

Pledged as security

Leased Property, Plant and Equipment of R219 187 (2016: R418 428) secured for leases as set out in Note 15.

Capital under construction

Infrastructure	15 353 136	13 866 249
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NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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The municipality has no Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected.

The municipality has no Property, Plant and Equipment where construction or development has been halted.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

Expenditure incurred to repair and maintain Property, Plant and Equipment:

Contracted services	4 613 555
Other materials	7 836 814
	<u>12 450 369</u>

4. CAPITAL COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure Assets	84 281 491	85 574 442
	<u>84 281 491</u>	<u>85 574 442</u>

This expenditure will be financed from

• Government Grants	84 281 491	85 574 442
	<u>84 281 491</u>	<u>85 574 442</u>

5. HERITAGE ASSETS

	2017			2016		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Cultural artifacts	245	-	245	245	-	245
Historical buildings	1 038 554	-	1 038 554	1 038 554	-	1 038 554
Total	1 038 799	-	1 038 799	1 038 799	-	1 038 799

Reconciliation of heritage assets 2017

	Opening balance	Total
Cultural artifacts	245	245
Historical buildings	1 038 554	1 038 554
	<u>1 038 799</u>	<u>1 038 799</u>

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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Reconciliation of heritage assets 2016

	Opening balance	Prior period error	Total
Cultural artifacts	-	245	245
Historical buildings	-	1 038 554	1 038 554
	-	1 038 799	1 038 799

Heritage assets of which fair values have not been determined

The municipality has 245 movable heritage assets located in the Namakwaland Museum. The municipality has not determined the fair value of these items which are carried at a value of R1 each, management will attempt to determine the fair values of the items as required by GRAP 103 in the next financial year.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

6. INTANGIBLE ASSETS

	2017			2016		
	Cost	Amortisation	Carrying value	Cost	Amortisation	Carrying value
Computer software	309 691	(217 173)	92 518	309 691	(188 650)	121 041

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	121 041	(28 523)	92 518

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Prior period error	Amortisation	Total
Computer software	141 554	11 167	15 213	(46 893)	121 041

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.		
No intangible asset were assessed having an indefinite useful.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		
The municipality has no Intangible Assets which is in the process of being constructed or developed.		
The municipality has no Intangible Assets that is taking a significantly longer period of time to complete than expected.		
The municipality has no Intangible Assets where construction or development has been halted.		

7. OPERATING LEASE ASSET (ACCRUAL)

Non-current assets	73 643	89 968
	-	-
	73 643	89 968

Leasing Arrangements**The Municipality as Lessor:**

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable in up to one year R258 097 (2016: R319 997) and between two to five years R232 117 (2016: R490 214).

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
8. LONG-TERM RECEIVABLES		
Opening Balance	-	7 390 642
Contribution to Long-term Receivables	4 287 198	-
Provision for Debt Impairment	(4 287 198)	(7 390 642)
	<u>-</u>	<u>-</u>

Reconciliation of Provision for Debt Impairment

Opening Balance	(7 390 642)	(6 037 975)
Contribution to Provision	3 103 444	(1 352 667)
	<u>(4 287 198)</u>	<u>(7 390 642)</u>

9. INVENTORIES

Consumable stores	702 970	702 100
Water - at purification cost	263 147	215 313
Land	44 042 579	44 042 579
	<u>45 008 696</u>	<u>44 959 992</u>

9.1 Materials written down due to losses as identified during the annual stores counts:

Consumables stores	8 356	201 133
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The municipality recognised only purification costs in respect of non-purchased purified water inventory.

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

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Traffic fines	50 644	71 003
Taxes - Rates	3 203 961	2 828 818
Sundry debtors	1 140 657	2 491 033
	<u>4 395 262</u>	<u>5 390 854</u>

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
Gross balances		
Taxes - Rates	25 038 364	19 183 121
Traffic fines	1 335 424	1 045 524
Sundry debtors	1 140 657	2 491 033
	27 514 445	22 719 678
Less: Allowance for impairment		
Taxes - Rates	(21 834 403)	(16 354 303)
Traffic fines	(1 284 780)	(974 521)
Sundry debtors	-	-
	(23 119 183)	(17 328 824)
Net balance		
Taxes - Rates	3 203 961	2 828 818
Traffic Fines	50 644	71 003
Sundry debtors	1 140 657	2 491 033
	4 395 262	5 390 854
Rates		
Current (0 -30 days)	2 306 719	1 893 397
31 - 60 days	1 167 833	977 155
61 - 90 days	666 412	510 080
> 90 days	20 897 400	15 802 489
Provision for Debt Impairment	(21 834 403)	(16 354 303)
	3 203 961	2 828 818
Sundry debtors		
Current (0 -30 days)	1 140 657	2 491 033
Traffic fines		
Current (0 -30 days)	54 150	43 950
31 - 60 days	22 580	17 850
61 - 90 days	97 050	7 050
>90 days	1 161 644	976 674
Provision for Debt Impairment	(1 284 780)	(974 521)
	50 644	71 003
Net balance	4 395 262	5 390 854

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Summary of Rates debtors by customer classification		
Consumers		
Current (0 -30 days)	1 901 031	1 743 696
31 - 60 days	879 888	778 128
61 - 90 days	496 497	415 761
>90 days	17 817 071	13 807 816
	21 094 487	16 745 401
Industrial/ commercial		
Current (0 -30 days)	404 651	129 663
31 - 60 days	286 416	192 241
61 - 90 days	168 347	91 099
>90 days	2 945 231	1 887 572
	3 804 645	2 300 575
National and provincial government		
Current (0 -30 days)	1 037	20 035
31 - 60 days	1 579	6 785
61 - 90 days	1 568	3 215
>90 days	135 048	107 110
	139 232	137 145
Total		
Current (0 -30 days)	2 306 719	1 893 394
31 - 60 days	1 167 883	977 154
61 - 90 days	666 412	510 075
91 - 120 days	20 897 350	15 802 498
	25 038 364	19 183 121
Less: Allowance for impairment	(21 834 403)	(16 354 303)
	3 203 961	2 828 818
Reconciliation of Provision for Rates Debt Impairment		
Opening balance	(16 354 303)	(15 159 945)
Provision for impairment	(5 480 100)	(1 194 358)
	(21 834 403)	(16 354 303)

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
11. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	31 621 177	23 916 371
Water	31 395 586	25 525 933
Sewerage	8 174 274	6 277 665
Refuse	17 155 499	12 596 806
Other	4 895 604	3 061 693
	93 242 140	71 378 468
Less: Allowance for impairment		
Electricity	(28 002 629)	(21 215 606)
Water	(30 075 307)	(21 918 249)
Sewerage	(7 166 107)	(5 415 098)
Refuse	(15 716 125)	(11 601 680)
Other	(4 895 604)	(3 061 693)
	(85 855 772)	(63 212 326)
Net balance		
Electricity	3 618 548	2 700 765
Water	1 320 279	3 607 684
Sewerage	1 008 167	862 567
Refuse	1 439 374	995 126
	7 386 368	8 166 142
Electricity		
Current (0 -30 days)	4 384 854	4 594 916
31 - 60 days	1 633 102	1 073 619
61 - 90 days	759 880	253 275
>90 days	24 843 341	17 994 561
Provision for Debt Impairment	(28 002 629)	(21 215 606)
	3 618 548	2 700 765
Water		
Current (0 -30 days)	1 461 927	3 398 188
31 - 60 days	1 494 811	710 670
61 - 90 days	945 371	684 576
>90 days	27 493 477	20 732 498
Provision for Debt Impairment	(30 075 307)	(21 918 248)
	1 320 279	3 607 684
Sewerage		
Current (0 -30 days)	806 708	1 167 630
31 - 60 days	429 540	194 844
61 - 90 days	266 555	175 634
>90 days	6 671 471	4 739 557
Provision for Debt Impairment	(7 166 107)	(5 415 098)
	1 008 167	862 567

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Refuse		
Current (0 -30 days)	1 203 619	1 565 123
31 - 60 days	677 829	354 890
61 - 90 days	456 309	322 420
>90 days	14 817 742	10 354 373
Provision for Debt Impairment	(15 716 125)	(11 601 680)
	1 439 374	995 126
Other (specify)		
Current (0 -30 days)	100 311	377 290
31 - 60 days	200 138	126 259
61 - 90 days	144 381	118 239
>90 days	4 450 774	2 439 905
Provision for Debt Impairment	(4 895 604)	(3 061 693)
	-	-
Reconciliation of allowance for impairment		
Balance at beginning of the year	(63 212 326)	(57 390 304)
Contributions to allowance	(22 643 446)	(5 822 022)
	(85 855 772)	(63 212 326)
12. TAXES		
VAT	11 605 393	12 299 473
13. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	10 600	4 600
Bank balances	3 087 224	8 377 225
Short-term deposits	27 006	-
Other cash and cash equivalents	8 170 032	10 610 617
	11 294 862	18 992 442

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

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

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017			2016		
	R			R		
The municipality had the following bank accounts						
Account description	Bank statement balances			Cash book balances		
	30/06/2017	30/06/2016	30/06/2015	30/06/2017	30/06/2016	30/06/2015
ABSA Bank Limited - Account Number - 9270778034 (Library)	2 386 308	3 288 799	1 758 024	2 386 308	3 288 799	1 758 024
ABSA Bank Limited - Account Number - 9249138970 (FMG)	945	425 630	1 000	945	425 630	1 000
ABSA Bank Limited - Account Number - 9233473372 (Land Sales)	700 975	1 000	1 000	700 975	1 000	1 000
ABSA Bank Limited - Account Number - 9233471702 (MIG)	4 062 234	3 243 280	17 907 033	4 062 234	3 243 280	17 907 033
ABSA Bank Limited - Account Number - 9233473306 (Housing)	441 505	1 758 776	2 300 342	441 505	1 758 776	2 300 342
ABSA Bank Limited - Account Number - 9233472871 (DME)	920	211 331	289 578	920	211 331	289 578
ABSA Bank Limited - Account Number - 9255092704 (NDFT)	550 000	1 050 000	550 000	550 000	1 050 000	550 000
ABSA Bank Limited - Account Number - 9259915702 (MSIG)	975	154 183	442 114	975	154 183	442 114
ABSA Bank Limited - Account Number - 9276734547 (EPWP)	945	409 277	815 433	945	409 277	815 433
ABSA Bank Limited - Account Number - 4052704442 (Primary Account)	3 346 499	8 616 100	6 827 980	3 087 224	8 377 225	5 930 335
ABSA Bank Limited - Account Number - 9313614189 (ACIP)	975	1 000	-	975	1 000	-

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

					2017 R	2016 R
ABSA Bank Limited - Account Number - 9313614430 (LG SETA)	24 250	67 342	-	24 250	67 342	-
Total	11 516 531	19 226 718	30 892 504	11 257 256	18 987 843	29 994 859

14. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in the Statement of Financial Position are as follows:

Carrying value

Post-retirement Health Care Benefits	(17 577 823)	(15 435 278)
Long Service Awards	(4 325 104)	(4 259 605)
Transfer to current portion	(1 255 367)	(645 961)
Shortfall Cape Joint Pension Fund	(302 338)	(302 338)
	(23 460 632)	(20 643 182)
Non-current liabilities	(21 902 927)	(19 694 883)
Current liabilities	(1 557 705)	(948 299)
	(23 460 632)	(20 643 182)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	20 643 182	19 569 068
Current service cost - Post-retirement Health Care Benefits	827 765	745 056
Interest cost - Post-retirement Health Care Benefits	1 441 229	1 392 589
Benefits paid - Post-retirement Health Care Benefits	(248 670)	(183 171)
Actuarial losses/(gains) - Post-retirement Health Care Benefits	257 421	(1 619 608)
Current service cost - Long Service Awards	431 452	390 015
Interest cost - Long Service Awards	382 991	304 663
Benefits paid - Long Service Awards	(276 418)	(213 980)
Actuarial losses/(gains) - Long Service Awards	1 680	258 550
	23 460 632	20 643 182

Net expense recognised in the Statement of Financial Performance

Current service cost - Post-retirement Health Care Benefits	827 765	745 056
Interest cost - Post-retirement Health Care Benefits	1 441 229	1 392 589
Actuarial losses/(gains) - Post-retirement Health Care Benefits	257 421	(1 619 608)
Current service cost - Long Service Awards	431 452	390 015
Interest cost - Long Service Awards	382 991	304 663
Actuarial losses/(gains) - Long Service Awards	1 680	258 550
	3 342 538	1 471 265

Calculation of actuarial gains and losses

Actuarial (gains)/losses – Obligation	259 101	(1 361 058)
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NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used - Post-retirement Health Care Benefits	9,99 %	9,28 %
Cost inflation rates - Post-retirement Health Care Benefits	8,26 %	8,37 %
Net effective discount rate - Post-retirement Health Care Benefits	1,59 %	0,84 %
Discount rates used - Long Service Awards	8,36 %	8,52 %
Salary inflation rates - Long Service Awards	6,18 %	7,18 %
Net effective discount rate - Long Service Awards	2,05 %	1,25 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Mortality rates

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

Discount rates are calculated by using a liability-weighted average of the yields obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017

Expected rate of salary increases

2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent

Long Service Awards

The Current-service Cost for the year is estimated to be R431 452 whereas the Interest Cost for the ensuing year is estimated to be R414 604.

Post-retirement Health Care Benefits

The Current-service Cost for the year is estimated to be R827 765 whereas the Interest Cost for the ensuing year is estimated to be R948 938.

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016			
	R	R			
Other assumptions					
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects on Post-retirement Health:					
	+1%	-1%			
Effect on the aggregate of the service cost and interest cost	2 734 700	1 900 700			
Effect on the accumulated post-employment benefit obligation	21 197 000	15 248 000			
Assumed salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed salary inflation rates would have the following effects on Long Service Awards:					
	+1%	-1%			
Effect on the aggregate of the service cost and interest cost	871 200	763 100			
Effect on the unfunded accrued liability	5 569 000	4 982 000			
Amounts for the current and previous three years are as follows:					
	2017	2016	2015	2014	2013
	R	R	R	R	R
Defined benefit obligation - Health care	17 896 191	15 618 446	15 283 580	14 226 000	16 345 403
Defined benefit obligation- Long Service	5 262 103	4 722 398	3 983 150	4 160 000	2 943 000
15. FINANCE LEASE OBLIGATION					
Minimum lease payments due					
- within one year			270 148		278 234
- in second to fifth year inclusive			20 491		290 640
			<u>290 639</u>		<u>568 874</u>
less: future finance charges			(22 591)		(78 354)
Present value of minimum lease payments			<u>268 048</u>		<u>490 520</u>
Present value of minimum lease payments due					
- within one year			247 811		222 471
- in second to fifth year inclusive			20 238		268 049
			<u>268 049</u>		<u>490 520</u>
Non-current liabilities			17 238		273 804
Current liabilities			250 811		216 716
			<u>268 049</u>		<u>490 520</u>

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National: Department of Water Affairs (WSACDBP)	510 747	510 747
Provincial: Tourism	-	36 558
Provincial: Library	473 713	421 188
Local Government: LG SETA	1 807	67 342
Provincial: Department Sport and Agriculture	308 500	308 500
Local Government: Fire Equipment	52 264	52 264
Local Government: Namakwa District Municipality	-	500 000
Other Government: Swimming Pool	450 000	450 000
Local Government: World Cup 2010	52 139	52 139
Wade Project	40 362	40 362
	1 889 532	2 439 100

See note 25 for reconciliation of grants from National/Provincial Government.

17. OTHER FINANCIAL LIABILITIES**At amortised cost**

Annuity loans	-	404 519
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Current liabilities

At amortised cost	-	404 519
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18. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	188 674 595	156 931 830
Other payables	9 373 353	16 388 713
Retention	1 345 918	1 727 165
Accrued leave pay	5 083 541	4 909 328
Accrued bonus	1 695 990	1 706 954
	206 173 397	181 663 990

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

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

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

Included in other payables is unspent funds for RDP housing projects of R2 677 390 (2016: R2 677 390).

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R	
19. PROVISIONS			
Reconciliation of provisions - 2017			
	Opening Balance	Contribution	Total
Provision for Rehabilitation of Landfill-sites	24 420 413	1 307 473	25 727 886
Reconciliation of provisions - 2016			
	Opening Balance	Contribution	Total
Provision for Rehabilitation of Landfill-sites	23 038 125	1 382 288	24 420 413
Non-current liabilities			16 558 256
Current liabilities			23 388 699
			9 169 630
			25 727 886
			24 420 413

Rehabilitation of Landfill-sites

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs.

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Proposed rehabilitation		
Springbok	Closed	1 665 399	1 780 554
Bergsig	2027	10 061 873	9 735 992
Nababeep	2027	3 657 005	3 507 917
Steinkopf	2027	8 736 035	8 467 243
Komaggas	2027	5 176 490	5 091 593
Concordia	2027	2 281 837	2 168 033
Bulletrap	2027	1 626 960	1 168 958
Rooiwal	Closed	4 801 966	4 486 797
Violsdrif	Closed	1 648 638	1 323 190
		39 656 203	37 730 277

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
20. CONSUMER DEPOSITS		
Electricity	1 458 935	1 426 270
Water	1 529 685	1 375 120
	2 988 620	2 801 390

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

21. REVENUE

Service charges	117 289 694	113 539 694
Property rates	42 273 194	34 187 763
Government grants & subsidies	56 467 167	64 897 911
Agency services	1 325 906	1 307 101
Licences and permits	1 365 278	1 260 853
Rental income	1 808 660	1 812 422
Interest received	7 719 988	7 107 843
Fines	425 104	446 427
Other income	2 993 342	2 859 917
	231 668 333	227 419 931

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

Service charges	117 289 694	113 539 694
Agency services	1 325 906	1 307 101
Licences and permits	1 365 278	1 260 853
Rental income	1 808 660	1 812 422
Other income	2 993 342	2 859 917
Interest received	7 719 988	7 107 843
	132 502 868	127 887 830

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

Property rates	42 273 194	34 187 763
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Transfer revenue

Government grants & subsidies	56 467 167	64 897 911
Fines	425 104	446 427
	99 165 465	99 532 101

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
22. SERVICE CHARGES		
Sale of electricity	70 766 877	66 408 748
Sale of water	29 907 136	30 423 511
Sewerage and sanitation charges	13 757 891	12 929 547
Refuse removal	17 461 661	15 140 013
Less: Income Forgone	(14 603 871)	(11 362 125)
	117 289 694	113 539 694

23. PROPERTY RATES**Actual**

Rateable Land and Buildings	42 273 194	34 187 763
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Valuations

Residential	1 598 131 000	1 572 631 500
Commercial	731 897 500	620 151 500
Vacant Property/Building clauses	45 890 000	49 010 000
Municipal	7 053 500	5 573 500
Agricultural purposes	497 159 000	614 064 500
	2 880 131 000	2 861 431 000

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,01724 c/R (2015/16: 0,01617 c/R)
 Business Properties: 0,023730 c/R (2015/16: 0,02226 c/R)
 Agricultural Properties: 0,000740 c/R (2015/16: 0,000697 c/R)

Rebates were granted on land and buildings used solely for dwelling purposes as follows:

Residential - The first R15,000 on the valuation is exempted
 Indigents - 10%
 Pensioners - 20%

Rebates can be defined as any income that the Municipality is entitled to levy, by law, but which has subsequently been forgone by way of rebate or remission.

24. INVESTMENT REVENUE**Interest revenue**

Investments	703 624	1 383 666
Interest charged on trade and other receivables	6 612 897	5 323 208
Bank account	403 467	400 969
	7 719 988	7 107 843

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
25. GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
National: Equitable share	38 291 269	36 818 000
Local Government: Fire equipment	-	44 087
National: Expanded Public Works Program (EPWP)	1 000 000	1 006 888
National: Finance Management Grant (FMG)	1 810 000	1 675 000
National: Municipal Systems Improvement Grant (MSIG)	-	930 000
Provincial: Library Grant	1 912 596	3 084 535
Provincial: Tourism	36 558	-
National: DME Electrification	1 500 000	6 000 000
Local Government: LGSETA Grants	89 744	-
District Municipality: Namakwa DM	500 000	-
	45 140 167	49 558 510
Capital grants		
National: Municipal Infrastructure Grant (MIG)	11 327 000	14 245 001
National: Department Water Affairs (DWAF) - ACIP	-	1 094 400
	11 327 000	15 339 401
	56 467 167	64 897 911

Conditional and Unconditional Government Grants:**Equitable Share**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

National: Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	6 888
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 006 888)
	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for job creation.

National: Financial Management Grant (FMG)

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
	-	-

This grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	21 395 503
Current-year receipts	11 327 000	14 245 000
Conditions met - transferred to revenue	(11 327 000)	(14 245 000)
Repaid to National Revenue fund	-	(21 395 503)
	-	-
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
National: Municipal Infrastructure Grant (MSIG)		
Balance unspent at beginning of year	-	96 540
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Repaid to National Revenue fund	-	(96 540)
	-	-
The grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
National: Department Water Affairs (DWAf) - ACIP		
Current-year receipts	-	1 094 400
Conditions met - transferred to revenue	-	(1 094 400)
	-	-
The grant was used for the refurbishment of water infrastructure.		
National: Department of Water Affairs (WSACDBP)		
Balance unspent at beginning of year	510 747	510 747
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	510 747	510 747
The grant was allocated for the refurbishment of water infrastructure.		
Provincial: Tourism		
Balance unspent at beginning of year	36 558	36 558
Current-year receipts	-	-
Conditions met - transferred to revenue	(36 558)	-
	-	36 558
The grant was allocated for tourism related activities.		

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
National: Department of Minerals and Energy (DME)		
Balance unspent at beginning of year	-	72 227
Current-year receipts	1 500 000	6 000 000
Conditions met - transferred to revenue	(1 500 000)	(6 000 000)
Repaid to National Revenue fund	-	(72 227)
	<u>-</u>	<u>-</u>

The grant was used to promote rural development and upgrade electricity infrastructure.

Provincial: Library

Balance unspent at beginning of year	421 188	1 836 722
Current-year receipts	1 965 120	1 669 000
Conditions met - transferred to revenue	(1 912 595)	(3 084 534)
	<u>473 713</u>	<u>421 188</u>

The grant was used for library related activities.

Local Government: LG SETA

Balance unspent at beginning of year	67 342	-
Current-year receipts	24 209	67 342
Conditions met - transferred to revenue	(89 744)	-
	<u>1 807</u>	<u>67 342</u>

The grant was allocated for skills development.

Provincial: Department Sport and Agriculture

Balance unspent at beginning of year	308 500	308 500
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>308 500</u>	<u>308 500</u>

The grant was received for the building and maintenance of sport fields in the district.

Local Government: Fire Equipment

Balance unspent at beginning of year	52 264	52 264
Current-year receipts	-	44 087
Conditions met - transferred to revenue	-	(44 087)
	<u>52 264</u>	<u>52 264</u>

The grant was allocated for the maintenance and upgrade of fire equipment in the area of the municipality.

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
District Municipality: Namakwa DM		
Balance unspent at beginning of year	500 000	540 670
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(500 000)	-
Correction of Error - note 35	-	(540 670)
	<u>-</u>	<u>500 000</u>

The grant was allocated for various projects.

Other Government: Swimming Pool

Balance unspent at beginning of year	450 000	450 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>450 000</u>	<u>450 000</u>

The grant was received for the building of a swimming pool in the area.

Local Government: World Cup 2010

Balance unspent at beginning of year	52 139	52 139
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>52 139</u>	<u>52 139</u>

The grant was allocated for activities of the 2010 Soccer World Cup.

Wade Project

Balance unspent at beginning of year	40 362	40 362
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Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
26. EMPLOYEE RELATED COSTS		
Basic	51 996 324	48 896 697
Bonus	3 831 718	3 934 811
Medical aid - company contributions	2 161 310	2 015 607
UIF	472 255	435 799
Leave pay provision	1 011 034	1 294 285
Pension fund	7 387 152	6 981 744
Travel allowance	3 488 344	3 796 148
Overtime payments	4 385 726	3 771 945
Acting allowances	916 484	985 050
Transport allowance	112 495	71 861
Housing benefits and allowances	1 100 250	954 990
Standby allowance	1 569 878	1 316 889
Cellphone allowance	153 666	150 663
Long service awards - current service cost	431 452	390 015
Post-retirement benefit - current service cost	827 765	745 056
Interest - Post-retirement	1 824 220	1 697 252
	81 670 073	77 438 812
Remuneration of Municipal Manager		
Annual Remuneration	618 469	-
Benefits and Allowance	140 216	-
Contributions to UIF, Medical and Pension Funds	1 813	-
	760 498	-
Remuneration of the Chief Financial Officer		
Annual Remuneration	660 837	660 837
Benefits and Allowance	235 162	235 157
Contributions to UIF, Medical and Pension Funds	18 729	17 625
	914 728	913 619
Remuneration of Manager: Community Services		
Benefits and Allowance	66 096	59 629
Remuneration of Manager: Corporate Services		
Annual Remuneration	-	142 171
Benefits and Allowance	66 000	409 946
Contributions to UIF, Medical and Pension Funds	-	3 877
	66 000	555 994

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
Remuneration of Manager: Electrical Services		
Benefits and Allowance	178 552	207 467
Remuneration of Manager: Technical Services		
Annual Remuneration	609 207	554 168
Car Allowance	230 549	258 081
Contributions to UIF, Medical and Pension Funds	134 741	123 326
	974 497	935 575
27. REMUNERATION OF COUNCILLORS		
Executive Major	785 880	462 890
Speaker	510 464	370 312
Executive Committee Members	658 173	421 239
Councillors	3 210 135	3 803 389
	5 164 652	5 057 830
In-kind benefits		
The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
28. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	41 121 271	42 730 142
Intangible assets	28 524	46 893
	41 149 795	42 777 035
29. FINANCE COSTS		
Non-current borrowings	63 673	135 928
Trade and other payables	3 454 862	2 810 212
	3 518 535	2 946 140
30. DEBT IMPAIRMENT		
Contributions to debt impairment provision	27 553 040	9 377 208
31. BULK PURCHASES		
Electricity	61 408 444	59 178 019
Water	30 229 983	24 967 488
	91 638 427	84 145 507

NAMA KHOI LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
32. CONTRACTED SERVICES		
Consulting and professional fees	2 844 935	3 113 975
Fleet Services	387 947	469 325
Contractors	5 575 999	4 158 434
Valuation Services	-	651 646
Security Services	776 604	372 286
	9 585 485	8 765 666
33. GENERAL EXPENSES		
Advertising	248 900	141 860
Auditors remuneration	2 376 463	2 199 408
Bank charges	611 788	527 376
Cleaning	389 027	407 277
Entertainment	156 800	146 433
Hire	319 936	506 253
Insurance	403 008	415 336
Licence fees	1 464 431	1 631 792
Skills development levies	721 478	658 135
Library programs	606 586	345 244
Fuel and oil	4 133 034	3 596 539
Materials and supplies	7 225 899	6 025 160
Postage and courier	611 206	629 373
Printing and stationery	286 492	338 617
Protective clothing	514 100	250 108
Subscriptions and membership fees	941 972	803 205
Telephone and fax	1 846 501	1 044 436
Training	1 426 046	355 528
Travel - local	2 883 871	1 622 311
Electricity	2 351 881	2 508 526
Water	-	726 529
Refuse	45 900	42 564
Uniforms	14 570	11 097
Special programs	255 554	193 414
Chemicals	22 530	8 815
Audit committee cost	134 891	139 393
Water analysis	128 718	117 377
Housing	702 249	-
Other expenses	618 155	964 205
	31 441 986	26 356 311

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
34. CASH GENERATED FROM OPERATIONS		
Deficit	(71 201 646)	(29 543 988)
Adjustments for:		
Depreciation and amortisation	41 569 950	42 777 035
Gain / (loss) on disposal of assets and liabilities	8 484 458	84 831
Loans written off	-	(133 985)
Contribution to current employee benefits	-	1 126 273
Actuarial loss	259 101	258 550
Actuarial gain	-	(1 619 608)
Impairment deficit	843 305	-
Debt impairment	27 553 041	9 377 208
Movements in operating lease assets and accruals	16 325	(58 966)
Movements in retirement benefit assets and liabilities	2 558 349	2 435 172
Movements in provisions	2 365 666	1 382 288
Inventory loss	8 356	201 133
Government Grants and Subsidies received	55 917 599	42 478 561
Government Grants and Subsidies recognised as revenue	(56 467 167)	(64 897 911)
Changes in working capital:		
Inventories	(57 060)	(158 021)
Receivables from exchange transactions	(18 760 228)	(9 911 096)
Other receivables from non-exchange transactions	(4 794 767)	(1 624 099)
Payables from exchange transactions	24 509 407	21 683 464
VAT	(1 528 600)	(3 608 388)
	11 276 089	10 248 453

35. PRIOR PERIOD ERRORS

Corrections were made during the previous financial years. Details of the corrections are described below:
The correction of the error(s) results in adjustments as follows:

Receivables from Exchange transactions

Balance previously reported	12 831 053
Refund of duplicated debtor charges in 2015/2016	(2 736)
Correction of estimate readings at OCC towns in 2015/2016	(1 065 165)
Correction of estimated electricity usage prior to 1 July 2015	(1 029 501)
Correction of estimated water usage prior to 1 July 2015	(787 035)
Debtors overcharged for services in 2015/2016	(1 772 806)
Restated Balance	8 166 142

Unspent Government Grants

Balance previously reported	(2 979 770)
Correction of Namakwa District Municipality receipts incorrectly disclosed as Unspent Grants before 1 July 2015	540 670
Restated Balance	(2 439 100)

Payables from exchange transactions

Balance previously reported	(186 724 531)
Correction of Eskom creditor prior to 1 July 2015	725 706
Correction of prepaid electricity provision 2015/2016	313 371
Correction of prepaid electricity provision prior to 1 July 2015	4 021 464
Restated Balance	(181 663 990)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Operating lease accrual		
Balance previously reported		108 124
Correction of lease not recognised before 1 July 2015		(18 156)
Restated Balance		89 968
Receivables from non-exchange transactions		
Balance previously reported		5 482 066
Correction of vehicle registration prior to 1 July 2015		(91 212)
Restated Balance		5 390 854
Cash and cash equivalents		
Balance previously reported		18 995 442
Correction of cash in periods before 1 July 2015		(3 000)
Restated Balance		18 992 442
Property, plant and equipment		
Balance previously reported		585 202 494
Cost of Other assets not recognised in periods before 1 July 2015		1 208 805
Cost of Other assets additions not recognised 2015/2016		55 846
Disposals of Other assets not recognised 2015/2016		627 980
Cost of Community assets recognised in periods before 1 July 2015		(108 455 235)
Cost of Community assets additions not recognised 2015/2016		2 156 014
Cost of disposal of Community assets not recognised 2015/2016		(254 901)
Cost of Infrastructure assets not recognised in periods before 1 July 2015		149 656 493
Adjustment on cost of Infrastructure assets additions 2015/2016		(110 357)
Cost of Infrastructure transfers received 2015/2016		837 994
Disposal of Infrastructure assets in periods before 1 July 2015		(519 375)
Cost of Buildings not recognised in periods before 1 July 2015		(7 043 992)
Cost of Land not recognised in periods before 1 July 2015		1 257 565
Backlog accumulated depreciation Other assets before 1 July 2015		425 948
Backlog accumulated depreciation Other assets 2015/2016		(594 960)
Backlog accumulated depreciation Community assets before 1 July 2015		50 274 265
Backlog accumulated depreciation Community assets 2015/2016		1 974 260
Backlog accumulated depreciation Other assets before 1 July 2015		15 411 928
Backlog depreciation of Infrastructure assets 2015/2016		(5 511 418)
Backlog accumulated depreciation of Buildings before 1 July 2015		1 634 965
Correction of depreciation of Buildings 2015/2016		299 667
Backlog accumulated impairment of Other Assets before 1 July 2015		1 085 535
Restated Balance		689 619 521
Investment property		
Balance previously reported		23 885 657
Cost of Investment property not recognised in periods before 1 July 2015		91 737 084
Backlog accumulated depreciation of Investment property not recognised in periods before 1 July 2015		6 766 345
Backlog accumulated depreciation of Investment property 2015/2016		1 055 618
Restated Balance		123 444 704

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Inventories		
Balance previously reported		917 413
Land inventory not recognised in periods before 1 July 2015		44 042 579
Restated Balance		44 959 992
Intangible assets		
Balance previously reported		90 887
Cost - Intangible Assets not recognised before 1 July 2015		14 664
Accumulated depreciation - Backlog amortisation Intangible assets before 1 July 2015		550
Accumulated depreciation - Backlog amortisation Intangible assets 2015/2016		14 940
Restated Balance		121 041
Finance lease obligation		
Balance previously reported		(461 142)
Correction of finance leases 2015/2016		(29 377)
Restated Balance		(490 519)
Heritage assets		
Balance previously reported		-
Cost of Heritage assets not recognised in periods before 1 July 2015		1 038 799
Restated Balance		1 038 799

Reclassification of prior year balances by nature of expense:

	Balance Previously reported	Adjustments	Restated Balance
Training	183 928	171 600	355 528
Employee related cost	76 091 397	1 347 415	77 438 812
Protective clothing	221 590	28 518	250 108
Licence fees	1 348 866	282 926	1 631 792
Consulting and professional fees	2 151 016	962 959	3 113 975
Cleaning	383 748	23 529	407 277
Materials and supplies	-	6 025 160	6 025 160
Operating grant expenditure	2 936 459	(2 936 459)	-
Repairs and maintenance	9 677 807	(9 677 807)	-
Contracted services	-	4 158 434	4 158 434
Electricity	2 739 643	(231 117)	2 508 526
Other expenditure	1 119 362	(155 158)	964 204
	96 853 816	-	96 853 816

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
36. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities raised	-	404 519
Used to finance property, plant and equipment	-	(404 519)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

37. UNAUTHORISED EXPENDITURE

Opening balance	233 144 124	227 421 051
Current year	21 433 974	5 723 073
	254 578 098	233 144 124

Unauthorised expenditure for the year can be summarised as follow:

Office of the Municipal Manager	11 055 864	372 537
Technical Services	10 295 135	1 176 227
Budget and Treasury	-	3 924 372
Community Services	-	249 937
Electricity Services	82 975	-
	21 433 974	5 723 073

38. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance	22 384 109	19 573 897
Current year	4 358 258	2 810 212
	26 742 367	22 384 109

Details of fruitless and wasteful expenditure

SA Post Office	5 434	-
Eskom Penalties paid	4 308 889	2 810 212
MH Office Machines	519	-
Auditor General	42 308	-
Annuity Loans	468	-
Fines Paid	640	-
	4 358 258	2 810 212

No criminal proceedings or disciplinary steps were taken.

39. IRREGULAR EXPENDITURE

Opening balance	154 027 220	149 740 081
Current year	3 577 097	4 287 139
	157 604 317	154 027 220

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Details of irregular expenditure – current year		
Supplier in service of the state	46 208	-
Expenditure contrary to SCM processes - No bid price with tender	3 430 889	1 279 537
Contract ammended contrary to section 116 of MFMA	100 000	2 841 448
No SCM procedures followed	-	166 155
	3 577 097	4 287 140
Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.		
Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:		
Non-compliance with SCM regulations (R2 000 - R10 000)	79 835	-
Non-compliance with SCM regulations (R10 000 - R200 000)	1 642 836	-
Non-compliance with SCM regulations (above R200 000)	14 621 395	-
	16 344 066	-
40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government - SALGA		
Opening balance	828 440	343 940
Current year subscription / fee	767 400	684 500
Amount paid - current year	(600 000)	(200 000)
	995 840	828 440
Audit fees		
Opening balance	-	1 493 994
Current year subscription / fee	2 709 168	2 199 408
Amount paid - current year	(1 730 536)	(2 199 408)
Amount paid - previous years	-	(1 493 994)
	978 632	-
PAYE and UIF		
Opening balance	859 883	665 102
Current year subscription / fee	11 034 996	10 598 206
Amount paid - current year	(10 946 050)	(9 738 323)
Amount paid - previous years	-	(665 102)
	948 829	859 883

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Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
Pension and Medical Aid Deductions		
Opening balance	905 907	997 839
Current year subscription / fee	15 749 163	14 410 992
Amount paid - current year	(14 774 577)	(13 505 085)
Amount paid - previous years	(905 907)	(997 839)
	974 586	905 907

VAT

VAT receivable	11 605 393	12 299 473
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VAT output payables and VAT input receivables are shown in note 12.

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

Material losses

Electricity distribution losses

Units purchased (Kwh)	62 073 018	64 565 713
Units lost during distribution (Kwh)	9 448 570	12 136 198
Percentage lost during distribution	15,2%	19,0%
Distribution loss (Rand Value)	5 560 027	5 536 846

Water distribution losses

Units purchased (KI)	2 002 553	2 067 264
Units lost during distribution (KI)	1 677 581	1 698 967
Percentage lost during distribution	21,4%	19,8%
Distribution loss (Rand Value)	6 420 017	5 715 583

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 R	Outstanding more than 90 days R	Total R
DA Markus	1 472	30 757	32 229
SJC van Wyk	282	3 518	3 800
	1 754	34 275	36 029
30 June 2016			
	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SJC van Wyk	96 853	26 242	123 095

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R		
Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005				
Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).				
		Type of deviation		
Month	Amount	Single supplier	Impract- icle	Emerg- ency
July	719 107	29 600	187 502	502 005
August	1 054 994	31 897	465 837	557 260
September	712 304	97 435	450 775	164 094
October	888 921	32 888	571 037	284 996
November	946 160	4 997	559 652	381 511
December	4 155 221	92 738	428 175	3 634 308
January	951 221	25 943	236 691	688 587
February	1 069 736	45 942	546 369	477 425
March	1 315 584	215 295	506 536	593 753
April	665 351	72 665	342 481	250 205
May	812 219	35 848	326 840	449 531
June	1 160 476	124 806	242 883	792 787
	14 451 294	810 054	4 864 778	8 776 462

41. FINANCIAL INSTRUMENTS DISCLOSURE

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

NAMA KHOI LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
Financial assets exposed to credit risk at year end are as follows:		
Long-term receivables	4 287 198	7 390 642
Receivables from exchange transactions	93 242 140	71 378 468
Receivables from non-exchange transactions	27 514 445	22 719 678
Cash and cash equivalents	11 294 862	18 992 442
	136 338 645	120 481 230

42. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Nama Khoi communities resulted in a serious risk for Nama Khoi Municipality's going concern.

Unless sustainable job creation is achieved, Nama Khoi Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

43. EVENTS AFTER THE REPORTING DATE

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017.

44. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

45. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R
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46. RISK MANAGEMENT**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	247 811	20 238	-	-
Trade and other payables	199 393 866	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long-term liabilities	626 990	268 049	-	-
Trade and other payables	175 047 708	-	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

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

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 10 and 11 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

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

Non-exchange receivables	2017 %	2016 %	2017	2016
Taxes - Rates	100 %	100 %	25 038 364	19 183 121
Exchange receivables	2017 %	2016 %	2017	2016
Electricity	34 %	35 %	31 621 177	23 916 371
Water	34 %	36 %	31 395 586	25 525 933
Sewerage	9 %	8 %	8 174 274	6 277 665
Refuse	18 %	17 %	17 155 499	12 596 806
Other Receivables	5 %	4 %	4 895 604	3 061 693
	100 %	100 %	93 242 140	71 378 468

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R
No receivables are pledged as security for financial liabilities.		
Due to short term nature of trade and other receivables the carrying value disclosed in notes 10 and 11 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.		
The provision for bad debts could be allocated between the different classes of receivables as follow:		
	2017 %	2016 %
Long-term Receivables		
Debtors loans capitalised	4 %	8 %
Non-exchange receivables		
Rates & Traffic Fines	20 %	20 %
Exchange services		
Services	76 %	72 %
	<u>100 %</u>	<u>100 %</u>
	<u>113 262 153</u>	<u>87 931 792</u>

NAMA KHOI LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2017	2016
R	R

47. CONTINGENCIES

Disciplinary hearing in case against CFO.

The disciplinary hearing against the CFO is still in process. Webber Wentzel is appointed as Chairman for the disciplinary hearing. Wessel Smith is the Legal representative for the Municipality. Management is uncertain about the possible liability that the Municipality could incur.

Nama Khoi Municipality vs OCC/Metorex.

Litigation is in process to evict the Municipality from the Springbok Airport and to stop the transfer of the Springbok Airport to Nama Khoi Municipality. Management is uncertain about the possible liability that the Municipality could incur.

Nama Khoi Municipality vs Imatu obo 54 workers.

Labour dispute relating to the unlawful appointment of workers. Management is uncertain about the possible liability that the Municipality could possibly incur.

Nama Khoi Municipality vs MPG Construction CC.

Litigation has been initiated by MPG Construction CC with regards to Supply Chain Management Processes not followed. If successful, the municipality could be liable for the amount of R73,140,256.

Nama Khoi Municipality vs Afriforum.

Litigation has been initiated by Afriforum for a forensic audit on land transactions. Management is uncertain about the possible future liability that the Municipality could incur.

Landfill Sites.

The municipality does not have permits or license for landfill-sites currently in use in Nababeep, Concordia, Rooiwal, Springbok and Vioolsdrif, and could be liable for a penalty, to a maximum amount of R10 000 000, in terms of section 68(1) National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

48. BUDGET INFORMATION

Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to virements, the current economic climate, drought, reclassification of expenditure by nature of transaction and incorrect balance sheet budgeting.

Explanation of variances greater than 5%: Final Budget and Actual Amounts:

NAMA KHOI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	R

STATEMENT OF FINANCIAL POSITION

Current Assets

Cash - Increase in payables on year end

Consumer Debtors - Receivables from non-exchange transactions, not included under other debtors

Other Debtors - Receivables from non-exchange transactions, not included under other debtors

Inventory - Decrease in stock levels on year end

Non-current Assets

Long-term receivables - Provision for debt impairment made on long-term receivables

Investment Property - Reconstructing of asset register

Intangible Assets - Reconstructing of asset register

Other Assets - Operating leases asset not included in budget

Current Liabilities

Borrowing - Repayment of finance leases

Trade and other Payables - Increase in payables on year end

Provisions - Provision for rehabilitation of landfill sites, not included in budget

Non-current Liabilities

Provisions - Provision for rehabilitation of landfill sites, not included in budget

Net Assets

Accumulated Surplus - Net result of all deviations

STATEMENT OF FINANCIAL PERFORMANCE

Income

Rental of facilities and equipment - Increase in rental income

Interest earned: External Investments - Decrease in cash levels during the year

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2017	2016
		R	R
Interest earned:	- Increase in consumer debtors during the		
Receivables	year		
Fines	- iGrap 1 not taken into account in budget		
Agency Services	- Increase in vehicle licensing		
Expenditure			
Depreciation	- Reconstructing of assets registers		
Finance charges	- Finance cost for non-current provisions and non-current employee benefits, not included in budget		
Other materials	- Reclassification of expenditure by nature		
Contracted services	- Reclassification of expenditure by nature		
Other expenditure	- Reclassification of expenditure by nature		
CASH FLOW STATEMENT			
Cash Flow from operating activities	- Decrease in cash received for services		

49. RELATED PARTIES**Name of Related Party**Utkoms Takeaways
Rosy's Kitchen**Employee / Organ of state**J Brandt - Nama Khoi Municipality - Sewerage
J Louw - Department of public works
A Louw - Bergrivier HR**Related party transactions****Purchases from related parties**

Utkoms Takeaways	115 327	-
Rosy's Kitchen	74 161	-

APPENDIX A
NAMA KHOI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2016	Correction of Error	Received during the period	Disposed during the period	Redeemed written off during the period	Balance at 30 June 2017
ANNUITY LOANS									
DBSA	7.0%	61000603	2017/03/01	404,519	-	-	-	(404,519)	-
DBSA	12.0%	61001063	2016/03/31	-	-	-	-	-	-
Total Annuity Loans				404,519	-	-	-	(404,519)	-
LEASE LIABILITY									
Nashua	10.0%	Various		490,520	-	-	-	(222,471)	268,049
Total Lease Liabilities				490,520	-	-	-	(222,471)	268,049
TOTAL EXTERNAL LOANS				895,039	-	-	-	(626,990)	268,049

**APPENDIX B
NAMA KHOI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2016	Correction of Error	Restated Balance 30 June 2016	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2017	Unspent 30 June 2017 (Creditor)	Unpaid 30 June 2017 (Debtor)
<u>National Government Grants</u>											
Equitable Share	-	-	-	38,291,269			(38,291,269)	-	-	-	-
Finance Management Grant	-	-		1,810,000			(1,810,000)		-	-	-
Municipal Infrastructure Grant	-	-		11,327,000				(11,327,000)	-	-	-
Integrated National Electrification Grant	-	-		1,500,000				(1,500,000)	-	-	-
Total National Government Grants	-	-	-	52,928,269	-	-	(40,101,269)	(12,827,000)	-	-	-
<u>Provincial Government Grants</u>											
Expanded Public Works Programme	-	-		1,000,000			(986,622)	(13,378)	-	-	-
Library	421,188	-		1,965,121			(1,785,035)	(127,561)	473,713	473,713	-
Department Water Affairs - WSACDBP	510,747	-							510,747	510,747	-
LGSETA	67,342	-		24,209			(89,744)		1,807	1,807	-
Tourism	36,558	-					(36,558)		-	-	-
Department Sport, Arts and Culture	308,500	-					-		308,500	308,500	-
Swimming Pool	450,000	-							450,000	450,000	-
World cup 2010	52,139	-							52,139	52,139	-
Fire equipment	52,264	-							52,264	52,264	-
Total Provincial Government Grants	1,898,738	-	-	2,989,330	-	-	(2,897,959)	(140,939)	1,849,170	1,849,170	-
<u>District Municipality</u>											
Namakwa DM	1,040,670	(540,670)						(500,000)	-	-	-
Total District Municipality Grants	1,040,670	(540,670)	-	-	-	-	-	(500,000)	-	-	-
<u>Other</u>											
Wade Project	40,362	-							40,362	40,362	-
Total Grants	2,979,770	(540,670)	-	55,917,599	-	-	(42,999,228)	(13,467,939)	1,889,532	1,889,532	-